HOUSE OF REPRESENTATIVES

THURSDAY, APRIL 23, 1936

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Gracious God, author of our existence, the hope and inspiration of every perfect thing, look upon us, we beseech Thee. Like as a father pitieth his children, so the Lord pitieth them that fear him; for he knoweth our frame; he remembereth that we are dust. We wait, Father in Heaven, and appeal from Thy justice to Thy love. Confessing the sins we once cherished, we lift our hearts to Thee; Thou hast loved us, and will love us to the end. We pray Thee, let us know how good it is to distill goodness, sympathy, and the gladness of God from a self-centered life. Give us the courageous eye of faith which alone sees right; it overcomes evil tendencies and is truly all in all. Grant that wise cooperation of the Congress may secure the survival of the best. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed, with amendment, in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 12098. An act making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1937, and for other purposes.

The message also announced that the Vice President had appointed Mr. BULOW and Mr. WHITE members of the joint select committee on the part of the Senate, as provided for in the act of February 16, 1889, as amended by the act of March 2, 1895, entitled "An act to authorize and provide for the disposition of useless papers in the executive departments", for the disposition of executive papers in the United States Civil Service Commission.

ORDER OF BUSINESS

Mr. BANKHEAD. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BANKHEAD. Mr. Speaker, after several weeks of preparation, we have now reached the point where the House is to take up for consideration and action what I regard as probably the most important piece of legislation to be considered at this session, the new tax bill.

Under the special order of the House, 16 hours has been provided for general debate on the bill, the debate to be confined to the bill. After conference with the Speaker of the House and the chairman of the Committee on Ways and Means, we have reached the decision that it is most important for us to go through with the consideration of this bill without interruption, and therefore I want to give notice that I trust no Member of the House on either side will submit any request for special consideration to speak or for permission to speak out of order or for special time outside of the consideration of the bill as now provided.

I think it only fair that I should make this statement, because we want to treat everybody fairly and impartially, but we consider it most imperative to consider and pass this bill as expeditiously as possible and I hope, therefore, that all Members on both sides will be governed accordingly.

Mr. COCHRAN. Mr. Speaker, will the gentleman yield?

Mr. BANKHEAD. I yield.

Mr. COCHRAN. Does the gentleman's statement mean that the conference reports on the various appropriation bills will not be considered until after the tax bill has been disposed of?

Mr. BANKHEAD. No; I did not make that statement because, of course, that is a matter in the sound judgment and discretion of the Speaker, and I do not know what decision he may reach about that. My main purpose was to make a statement with reference to special orders.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. BANKHEAD. No; I have made my statement.

Mr. RICH. I should like to ask the gentleman if we are going to be notified when these conference reports will come before the House so we may have a little time to discuss them. They are very important and I think the gentleman will agree with my statement.

Mr. BANKHEAD. I may say to the gentleman from Pennsylvania it is rather difficult to anticipate when a conference report is going to be called up, if any are called up, by recognition of the Speaker during the consideration of this bill. I do not know whether it is in the mind of the Speaker to make any statement with reference to that matter at this time or not, but my statement was made purely for the reason I have stated with reference to special requests to address the House.

Mr. RICH. I appreciate that, but if we had a day fixed when we knew these conference reports were coming up, I think it would be very helpful and would be in the interest of the welfare of the country.

Mr. BANKHEAD. I cannot at this time give the gentleman any assurance whatever with reference to that matter.

THE ROOSEVELT ADMINISTRATION AND THE WELFARE OF THE AMERICAN NEGRO

Mr. HOUSTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOUSTON. Mr. Speaker, the interests of the colored people have been and will continue to be best served by the Democratic Party, the party that stands for the common man, for human rights above property rights; and the leader of that party, Franklin D. Roosevelt, has given that race the greatest opportunity ever afforded under any administration.

From the close of the Civil War up to 1932, the Negro vote went to the Republican Party, but how much consideration did the race get for that allegiance? During the decade from 1920 to 1930 the colored farmers of the Nation lost 3,785,757 acres of land, and not one thing was done by the Federal Government to save these farm homes, the most part of which was good, rich farming land.

In contrast to that deplorable loss is the saving of 36,758,484 acres to colored farmers through the recovery program of President Roosevelt and the Democratic Congress. The colored farmers have access, on an equal footing, to relief afforded by the Farm Credit Administration, the Department of Agriculture, the Federal Emergency Relief Administration, and kindred agencies for financial aid. More than that, there are men of their own race to whom they can appeal. Prof. H. D. Hunt is with the Farm Credit Administration, while T. M. Campbell, of Tuskegee, and J. B. Pierce, of Hampton Institute, are the colored representatives with the Agriculture Department.

Mr. Roosevelt has appointed more Negroes to responsible governmental positions than the last three Republican administrations combined. Under this administration Dr. Thompkins, an outstanding Negro physician and a lifelong Democrat, has been appointed Recorder of Deeds of the District of Columbia. Robert L. Vann, lawyer and publisher, has been appointed Special Assistant Attorney General, with offices in Washington; L. A. Oxley, of North Carolina, is special assistant and adviser in the Department of Commerce; E. K. Jones, of New York, is special adviser in the Department of Labor; Lester A. Walton is Minister to Liberia; Theopholius Mann and William F. Hastie are special solicitors in the Department of the Interior; Forest B. Washington is adviser on Negro affairs to Harry L. Hopkins; Earl R. Moses is assistant statistician in the Bureau of Research. While these are individual honors, the colored citizens generally have benefited by the Roosevelt policies. In every law passed by Congress for direct relief or otherwise the Negro shares equally with his fellow citizens, and in addition to these material benefits, a new understanding and sympathy

have drawn the two races together, and former prejudices based on color are being dissipated.

Under the emergency measures put into effect by President Roosevelt in 1933 and enacted by Congress large sums of money have been spent for relief and economic rehabilitation of both white and colored; there has been no color line there; no discrimination as to creed, or race, or sex. Home owners' loans have been utilized by colored citizens as well as whites to save their homes. The Public Works Administration, the Civil Works Administration, the Works Progress Administration, and similar agencies assumed their obligations to aid the Negro as no less pressing than their duty to the white. Regulations of the National Recovery Act insured them against discrimination in wages and hours. The Agricultural Adjustment Act applied to all farmers regardless of color, and was the means of saving thousands of Negro farmers from foreclosure and ruin.

In addition to these temporary agencies, housing projects are being constructed throughout the country. Nineteen of the total of forty-seven projects will be predominantly tenanted by Negroes, and at least five others will include Negroes, making a total of one-half of all of these projects for the use of colored people, and resulting in thousands of Negro families having decent homes in which to live and rear their children. Negro architects and a fair proportion of skilled and unskilled Negro labor is being used in the construction of these buildings, and at the same wages as given whites.

The Negro must have more and better education than he has received in the past, and a larger proportion of the race must receive the fundamentals of a public-school education; they must receive the fullest possible educational opportunities. Largely as a result of the activities of Dr. Ambrose Coliver, special assistant to Harry L. Hopkins, the school terms for colored children in the South have been lengthened 2 months and the salaries of over a thousand school teachers were increased. Thousands of needy colored students have received from $8 to $20 a month each so they could continue their studies in 120 colored colleges. Hundreds of colored teachers, both men and women, received $100 a month for conducting adult classes in the drive to stamp out illiteracy. As a result of this drive it is estimated that at least half a million colored citizens and their children have been benefited.

Howard University and Freedmen's Hospital, Washington institutions, have received $2,000,000 from public-works funds for improvements and betterments. Wendell Phillips High School, in Chicago, was completed through an allotment of $500,000 from the same source.

Can those who are maliciously attacking the present administration point to comparable activities during the past three administrations? Ever since the Civil War the Republican Party has had the Negro vote pretty much in its vest pocket, and to a greater extent than many people realize, owes its long tenure of power to that very fact. In nearly every election during the last 20 years the Negro vote has represented the balance of power in such important States as Illinois, Indiana, Ohio, and not infrequently, in Missouri. The Negro voter has been of tremendous service to the Republican Party, but newer generations of Negroes who have had the benefit of a better education now wonder whether they still owe their gratitude to the party that has exploited their race for 70 years. They are awakening to the realization that under a Democratic administration they are receiving recognition of their social and economic rights as never before. In 1932 thousands of Negro voters finally came to the conclusion they had paid to the Republican Party whatever debt of gratitude was due from them and voted for the Democratic Party, which has fulfilled its promise of equal opportunity under the law.

The Honorable ARTHUR W. MITCHELL, a Negro and a member of the Democratic Party, representing a congressional district in Chicago, introduced during the first session of the Seventy-fourth Congress a bill providing for the creation of a permanent commission for the study of problems connected with the needs of the Negro. The proposed commission will consist of five members, appointed by the President, and at least three of them must be Negroes.

The duties of the commission shall be to study the economic conditions of the Negro; to study the labor problems in which the Negro is fundamentally interested; to stimulate and encourage thrift and industry among the Negroes of this country; to promote the general welfare of the Negro in industrial pursuits and to encourage his general uplift; to work out plans looking toward the solution of the different problems confronting the Negro race of the United States; to consider all questions pertaining to the Negro that may be referred to said commission by any department of the United States Government, and report a suggested solution of any and all problems that may be presented to the commission by any officer of the United States, the Governor or attorney general of any of the States, or labor department of any State in the United States; to recommend what may be necessary for the stability of labor in the different States; to discourage subversive doctrine and propaganda; to work toward the formulation of a policy for mutual understanding and confidence between the races; to report to Congress through the President of the United States all their acts and doings and to make such recommendations for the solution of any problem or problems affecting the Negro that they may deem advisable.

Mr. MITCHELL hopes that one important result of the studies to be made by this commission will be the formulation of a labor policy which will foster a better understanding between the two races. I share that hope. Too long have we looked with indifference upon the efforts of the Negro to raise himself above the plane in which the race existed at the end of the War between the States. Too few of us realize the marvelous progress made by the Negro in this brief period of 70 years. This bill, which has the endorsement and support of the large majority of good thinking people of both races, promises to meet a real need of the Nation, and to substantially safeguard and advance the interest of the largest minority group of our citizens, a group which has been true to our country and has always answered the call of the country in the most patriotic manner, but which group has been sadly and most shamefully neglected when it comes to sharing in full benefits of what we call American citizenship rights and opportunities.

And I wish to say a word of tribute to our colleague, the Honorable ARTHUR W. MITCHELL, the first Negro Democrat in Congress. His conception of duty to his congressional district, his State, and the Nation has shown him to be a leader among his race, and one of whom they can justly be proud. His breadth of vision and understanding, his fine grasp of current problems, and his unswerving devotion to the Democratic cause make all who know him hope that he will be returned to Congress, and thus be enabled to continue the fine work which he has so ably performed during the past 2 years. It requires genuine courage, in the light of the history of this Republic, for an American Negro to be a Democrat, and ARTHUR MITCHELL possesses that courage, thereby reflecting credit upon himself, his race, and the Democratic Party.

During the first session of the Seventy-fourth Congress, $3,000,000 was authorized to be spent by the Federal Government in connection with the Texas centennial celebration, most of which will be returned to the Government through amusement taxes. One justification, at least, for voting for this measure was that it affords a means for the display of the advancement of the Negro people of this country. It is my understanding that through this appropriation by Congress the Negroes will be given an opportunity to construct a building, designed by Negro architects and built by Negro labor, and in this building will be exhibits of the arts and sciences depicting the advancement of their race. It is my hope that thousands of Kansas Negroes, and thousands from other States, will avail themselves of the opportunity to attend the Texas centennial celebration and participate in this demonstration. It gave me great pleasure to cast my vote in favor of the appropriation in order that this exhibition might be possible.

From all this, I feel that the Roosevelt administration has given fair return to the Negro voters who supported it in the last two elections. For the first time in the history of the Nation the economic and social welfare of the colored citizens have been given the same consideration as all other citizens. The Negro Democrat looks to the rising sun of the future, and is not unaware of the living present. His opportunity today is equal to that of Booker T. Washington, the wisest spirit ever born of African blood.

OUR AIR-LINE PILOTS

Mr. MEAD. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the bill (H. R. 11399).

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MEAD. Mr. Speaker, the 650 pilots of scheduled air-liners in the United States are the best trained group of civilian airmen in the world. The kind of flying they are doing, day and night, summer and winter, through all kinds of weather, is unequaled anywhere; but this vast store of knowledge and experience is going to waste insofar as our national defense is concerned.

I recently introduced a bill, H. R. 11399, which provides that these men shall be a part of the Army Air Corps Reserve and will be given a month's training at an Army field once a year. This bill would make it possible for these pilots to keep posted on latest military developments and enable the United States to tap this source of supply in time of emergency.

With the training that they already have, these pilots could start out with a fleet of bombers, travel long distances to reach their objective with unerring skill and precision, regardless of the weather—whether snow, rain, or fog—that might intervene.

The experience and ability which these men have attained can be acquired in no other way except on the air lines. Collectively, they are familiar with every airport, every airway, and practically every foot of terrain in the United States and Alaska. The military value of these men is inestimable from every conceivable standpoint.

Most of them have already acquired all the Army had to offer in the way of military flying experience prior to taking up their duties on the air lines, for many of them, perhaps the majority of them, are graduates of our Army, Navy, or Marine Corps schools. After they leave the military service, with an experience of about 300 hours of flying, and become attached to some air line as copilot their real training for civil flying has just begun. Before they can qualify as a first pilot they must have attained 1,200 hours of solo flying or twice that amount of time as a copilot. (The copilot is permitted to log only half his actual time in the air.) As a rule, this apprenticeship on the air lines requires 3 to 4 years, during which time they are continually absorbing a knowledge of their profession from the old-timers who preceded them. Before they can become a full-fledged air-line pilot they must pass a rigid examination imposed by the Department of Commerce, which entitles them to a license known as a scheduled air transport rating, commonly referred to as an S. A. T. R. The qualifications for this rating are very severe.

In the first place, as we have seen, the pilot must have 1,200 hours of solo flying, of which 500 must have been spent in cross-country flying and 75 hours must have been spent in solo night flying over lighted airways. He must take a written examination on the Department of Commerce regulations governing scheduled operations of interstate air-line services and practical and theoretical use of directional radio and other available airway aids to navigation, including tests in meteorology with weather analysis and forecasting. He must also demonstrate his ability to fly blind by instruments. This flight test is given by an inspector of the Commerce Department. The plane used for this test is equipped with a hood so that the pilot may not see anything but his instruments. He is then required to execute a number of difficult maneuvers; and when the inspector has him completely lost, he must orient himself on the radio beam and with the help of his instruments and his radio navigate to the airport, locating himself at 200 feet over the edge of the field.

The air-line pilot of today seldom stops for weather, unless it happens that the airport of his destination is closed in. It is a common occurrence for him to take off and fly blind for hours at a stretch, or to fly above a fog for his entire run, then locate himself by instruments and radio at his destination and come down through directly over the airport.

It is only when radio or instruments fail that the pilot is in any serious danger; but, even then, the knowledge he has of his route and the judgment he has acquired through many hours of flying come to his aid, and, given an ample supply of gasoline, he can usually find his way to some alternate airport. It is in the emergencies when the navigation aids fail and the pilot is thrown on his own resources that his years of experience and knowledge of his route place him head and shoulders above the average pilot. It has often been stated that flying is 10 percent machine and 90 percent man. This still holds true. Navigation aids and especially radio have not been perfected to a point where they are infallible, but through long years of experience the air-line pilot is able to judge with accuracy the degree to which he can rely on them. Before he starts on his trip he studies the weather charts, and he knows beforehand the extent to which rain or snow will hinder the reception of the radio beam; he knows also that beam courses occasionally shift around at night. This is known as "night effect" and results in what are known as multiple courses. All of these characteristics and peculiarities of the particular beam he uses are known to him from constant use. It is not merely, as some think, a matter of relying entirely on one particular aid. The pilot must use all of them; he must know the weaknesses of each; and here is where personal skill and judgment enter in. This is the kind of knowledge that cannot be obtained in any other way except by constant flying and constant use of the available aids.

None of the military airmen can possibly approach the degree of efficiency of the air-line pilot unless they are permitted to go out and do the same kind of flying, day in and day out, and become thoroughly familiar with the quirks and idiosyncracies of radio beams, gyro compasses, automatic pilots, and all the other mechanical devices used on modern air lines.

Today, as in the past, the human element is of most importance in the safe operation of the air lines.

Flying instinct, which is developed to the highest degree in the air-line pilot, and which cannot be learned from textbooks, is a definite factor in both military and civil flying. This is the quality that saves the day when mechanical aids go wrong. It is this same quality which will turn defeat into victory in future aerial warfare. The air-line pilots are a national asset with definite military value. Why not take advantage of it?

H. R. 11399 provides the means to the end desired by all who believe in adequate national defense.

DEFENSE WITHOUT EXPENSE

Mr. McSWAIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the bill (H. R. 5529), which passed the House a year ago and is now pending before the Senate.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. McSWAIN. Mr. Speaker, everybody wants peace. Everybody complains about the expense of adequate preparedness. We remember that the Democratic platform of 1932 mentioned the very expensive defensive organizations, the Army and the Navy, bewailing the fact that this expense is "fast approaching a billion dollars a year." The appropriations for the fiscal year ending June 30, 1937, will very probably realize this billion dollars. Adequate defense for such a large and powerful Nation is necessarily expensive.

Our defensive forces, especially in the air, are still inadequate. We must be defended, and under our high cost system it is necessarily expensive.

But, Mr. Speaker, a most important feature of adequate preparedness may be had absolutely without expense. All thinkers upon modern warfare agree that war can be properly conducted only by the combined economic, financial, agricultural, and moral forces of the Nation. In other words, the whole Nation must be at war if victory is to be achieved. The few men at the front doing the fighting are a very small fractional part in numbers of the total population that must be furnishing those men with munitions, implements of war, and supplies of food, clothing, medicine, shelter, and so forth. The eminent British military critic, Liddell Hart, in the magazine section of the New York Times on March 15, 1936, summarizes the situation in these few words:

> Moreover, the complexity is augmented by the increasing dependence of the fighting forces upon industrial resources. As a consequence all the countries are developing schemes of economic mobilization as a necessary foundation for their military, naval, and aerial mobilization.

Mr. Speaker, I hope it may not be presumptuous for a Member of the House of Representatives to speak on a bill which has passed the House and is now pending in the Senate. I refer to H. R. 5529, which passed the House more than a year ago by an overwhelming vote. I am not sure how many voted against it, but I think very few. Of course, there was much discussion and difference of opinion as to details during the week that the bill was before the House, but in the end practically all Members voted for the bill, thus approving it as a whole.

STOP PROFITEERING

H. R. 5529, the bill to take the profits out of war, consists of only about four pages and only nine short sections. The language is general, comprehensive, and therefore elastic in application so as to fit conditions that may arise but cannot now be properly anticipated in detail. It is true that section 8 was drawn hastily and might properly be amended by adding these words:

> Excess war profits are hereby defined to be that part of the profits of any person, firm, or corporation earned in any fiscal year during war which exceeds the average profits of such person, firm, or corporation for the 5 fiscal years immediately preceding such war or the average profits of such person, firm, or corporation for such time as it may have engaged in business, if less than 5 years.

PASS H. R. 5529 NOW

Mr. Speaker, naturally there is great difference of opinion about the details of such an important measure. But this bill ought to be passed and passed at this session of Congress. The members of the American Legion and the ex-soldiers of the country and practically all our citizens who have thought about it at all demand its speedy enactment into law. Ninety-five percent of our population condemn unreservedly profiteering in time of war. If any Member of Congress thinks that H. R. 5529 as it passed the House is not sufficiently strong in terms to correct the evil which all admit, then let us pass the bill now before we adjourn; and at the next session let Members who wish to amend it propose amendments; and if the amendments are in the interest of preventing the evil, then I will gladly cooperate in passing such amendments.

But we ought to pass the bill now as a fundamental, organic, and comprehensive declaration of policy. We ought to notify the people of this Nation that in the event of war there shall be no profiteering, and if some excess war profits do slip through, they will be immediately gathered up by the tax collector. Furthermore, we should notify by this law the rest of the world that America will be mobilized industrially, financially, agriculturally, and morally to fight as one man in the defense of our land, for the protection of our rights, and for the vindication of our national policies. To be prepared to mobilize industry is as important in a defense program as to have an adequate Navy and an adequate Army. The three must go together. We maintain an Army and a Navy as notice to the rest of the world that we will protect ourselves and our rights. If we will pass this industrial-mobilization law, that will be further notice to the world that we are better prepared to defend ourselves. Thus we will promote peace while at the same time we will prevent profiteering. This policy of promoting peace and preventing profiteering is a part of the defense program that we can have, and should have, and must have. Furthermore, it will be without expense. It will cost nothing to pass the law. Furthermore, it will reduce the expense of any future war by 50 percent. It will be a great measure of economy. So, Mr. Speaker, let us pass the law this session. I hope that I may be excused, by reason of my zeal and deep interest in this bill, from seeming to discuss a measure pending before the Senate. It is a matter close to my heart.

CELLER ANSWERS PATMAN

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in answer to the remarks of our colleague, the gentleman from Texas [Mr. PATMAN] concerning myself.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. Mr. Speaker, in the RECORD of April 22, our colleague, Representative WRIGHT PATMAN, of Texas, says I have adopted in toto the objections to the Patman-Utterback-Robinson bill that have been set up by powerful mass-buying interests. I care not who adopts my point of view, so long as my point of view is sound. In the long run this bill, if enacted, will react disastrously to the small, independent dealer who is supposed to be helped by it.

Representative WRIGHT PATMAN states that I stand alone in my objections to the bill among the Members of the House Judiciary Committee, and cites in support thereof the fact that the minority report opposing the bill bore just one signature—my own.

I retort by asking Representative PATMAN to look at the majority report. He will find just one signature—that of Representative UTTERBACK. That does not mean that other members of the Judiciary Committee did not support the majority opinion. By the same token, members of the Judiciary Committee other than myself supported the minority report.

If the distinguished Representative from Texas wants evidence of opposition to this bill from very respectable and eminent authorities, I am very happy to give them to him.

Firstly, we have the opposition of Dr. Harold G. Moulton, of the Brookings Institution, who says:

> This bill, insofar as it would strike at all those who have heretofore been effective in reducing prices, to that extent will raise prices.

Then there is Prof. Malcolm P. McNair, of Harvard University, a rather eminent economist, who voices strong opposition to the bill and emphatically points out that it will not only raise prices to the consumer but will also force a realinement of manufacturing, with disastrous consequences to the small independent.

Prof. M. C. Waltersdorf, head of the department of economics of Washington and Jefferson College, expresses opposition to the same effect.

Prof. Shore Livermore, of the University of Buffalo, emphatically opposes the bill because it would be discriminating against all the present efficient retail distributors of the country.

From Dartmouth College, the department of economics, comes the word of Prof. William A. Carter, who expresses opposition because the bill attempts arbitrarily to classify distributors. He further holds that the bill is administratively unfeasible in regard to quantitative differentials.

Prof. H. L. Caverly, of the University of Michigan, and Dr. George Filipetti, professor of economics at the University of Minnesota, both claim the bill would run counter to reductions of cost of production and distribution, and that it would place a premium on inefficiency and would exploit the consumers.

Prof. C. C. Huntington, of Ohio State University, deplores the attempts to discourage lower prices through quantity discounts.

To the same effect are the words of Prof. T. R. Snavely, of the University of Virginia.

In my own city, we have the objections of Profs. Lewis H. Haney and Walter E. Spahr, well-known economists assigned to New York University.

Scores of other economists throughout the land are unalterably opposed to this bill. I have yet to see the name of a single well-known economist who approves it.

LABOR NOT HELPED BUT HURT BY THE BILL

This bill was originally written by the general counsel for the United States Wholesale Grocers Association, and is to take the place of the Grocery Code. But whereas a large number of N. R. A. codes attempted to fix prices, they did at the same time protect consumers, and particularly the laboring man, in the sense that there was labor representation on most of the code authorities so that there could be no exploitation of labor in the matter of hours and wages. This bill does not mention wages or hours of employment.

Economists agree that the bill will increase prices of goods to the consumer. Therefore, the standard of living of the laboring man would be reduced, because his wages, which will not be increased, will buy less. This reduced demand for goods will reduce the manufacturing volume, which, in turn, increases the cost of manufacturing. The inevitable result will be the lowering of real wages and the laying off of labor.

BILL WOULD DISLOCATE ALL INDUSTRY

The requirement of f. o. b. method of delivery—that is, outlawing all basing points—would seriously dislocate all industry. Regardless of the merits or demerits of this system of pricing, it must be remembered that another committee in Congress has been wrestling with this problem for some time and is about to report out a bill specifically addressed to this problem and based on careful and thorough study of its many ramifications. To interject such far-reaching legislation into this bill, which has had the benefit of no hearings on the subject whatsoever, since this is an entirely new provision, is most ill-advised and dangerous.

The method of pricing would have most serious and deleterious effects upon industry. It will mean that prices to the vendee will vary in accordance with distance and cost of transportation from the seat of manufacture or extraction, as in the case of coal or other minerals. All quotations must be f. o. b. manufacturing plants or mines. This restriction will localize all industry and manufacturing.

THE BUGABOO OF MONOPOLY

The Federal Trade Commission made an exhaustive report which cost the Nation $1,000,000, and in no uncertain language it denied that there is any monopoly in the field of distribution.

The allegation that monopoly is involved, or even remotely possible, in the distribution field is so obviously unsound that it hardly warrants consideration. Yet it is the allegation on which this bill is principally justified. The percentage of chain business to the total retail trade is only 25 percent, certainly far short of monopoly. Moreover, 87 percent of the chains are small sectional or intrastate chains of 25 stores or less. Sixteen thousand of the 20,000 chains in the country have but 3 stores or less. The large national chains, against which the agitation resulting in this bill is practically entirely directed, are but 8 percent of the total distribution of the country. Certainly monopoly cannot be spelled out of that. Even in the grocery field, in which the chain development has been most marked, voluntaries, or progressive independent storekeepers acting jointly in order to secure quantity discounts and other economies, have now as large a volume as the corporate chains, and their volume is growing rapidly. These and the other independents in the grocery field have now over 60 percent of the trade's entire volume. Speaking to his fellow grocers assembled in convention, the president of the National Association of Retail Grocers said only last June:

The position of the individual grocer today is sound. Speaking generally, he is meeting a public demand for distribution at absolute minimum cost, while preserving all the valuable features of our type of distribution. The independent retail-grocery business has in the last few years amply demonstrated its indestructible character by its ability to shape itself to successfully meet and absolutely check the keenest and most aggressive and ruthless competition. Without any advantage or even at a disadvantage, the independent grocer is not only surviving but is steadily forging ahead.

In the drug wholesale field, to make a comparison in a trade directly involved and urging passage of this bill, one concern—McKesson & Robbins, Inc.—alone does 30 percent of the trade's entire volume, and one association of drug wholesalers—the National Association of Wholesale Druggists—loudly proclaims in its prospectus, and solicits business from manufacturers thereon, that its members alone do 80 percent of the entire drug business handled by all the drug wholesalers in the country, and cover 97 percent of the entire 57,000 retail drug stores in the United States. Yet no suggestion is heard that monopoly exists in the wholesale drug field, while the wholesale druggists, along with a group of wholesale grocers, loudly maintain that this bill is imperative to check monopoly in the retail field, where the chain percentage is in gross, including the 130,000 completely sectionalized or localized chain stores with less than 25 stores, not over 25 percent of the volume involved, and in terms of national chain business in the fields most frequently cited, but 8 percent of national distribution. Certainly this in in reality a case of those who might actually attain a monopolistic position through organization attempting to handicap their principal competition.

So the allegation of monopoly in the retail trade is totally unsustainable, while the assertion that mass distribution may some day become monopolistic, amounts, under the circumstances, to the rankest type of sophistry. Anything might happen, but certainly among all the eventualities which might develop, few are less likely ever to happen than for the very minor percentage of the trade's business in the hands of mass distributors to expand until it becomes monopolistic. Competition is, moreover, keen in the retail field, both among the chains themselves and between the chains and the independents. It is not a matter of large capital to enter the retail business, and the danger of actual monopoly developing is therefore small indeed. Certainly, however, to legislate price increases upon the consumer with no justification whatsoever except that he may some day find himself served by a retail monopoly would not be either reasonable or intelligent. If a monopoly ever should develop, moreover, there is now on our statute books sufficient law to meet the situation.

I HOLD NO BRIEF FOR CHAINS

The chain stores are guilty of many sins. I am in favor of any provision that would stop certain predatory practices. I always was in favor of the Kelly-Capper bill for price maintenance on trademarks or copyright articles. I have spoken frequently in favor of a multiple chain-store tax bill in various States. But this bill goes far beyond the chain store. It would hurt manufacturers, large and small, and particularly the consumer. Ultimately it would hurt the independent dealer. To the latter the bill at the present time is but a snare.

In the beginning this bill, if passed, will create a maximum amount of disruption in the consumer-goods-manufacturing industry. This is no time to add to the derangement of business, particularly since we are emerging from a depression.

This bill will force the realignment of manufacturing and distributing so that the large mass buyers would be forced to buy exclusively from one set of manufacturers and the little set of fellows from another set of manufacturers. The first set of manufacturers would thus be enabled to sell mass buyers more cheaply. The small independents will be compelled to pay more for their goods. Therefore, this bill will ultimately result in the greatest disadvantages to them.

TO REQUIRE THE F. O. B. METHOD OF DELIVERY WOULD SERIOUSLY DISLOCATE ALL INDUSTRY

This bill provides that the word "price"—

Shall be construed to mean the amount received by the vendor after deducting actual freight or cost of other transportation, if any, allowed or defrayed by the vendor.

This is contained in subparagraph no. 5 of section 2. Regardless of the merits or demerits of this system of pricing, it must be remembered that another committee in Congress has been wrestling with this problem for some time and is about to report out a bill specifically addressed to this problem and based on careful and thorough study of its many ramifications. To interject such far-reaching legislation into this bill, which has had the benefit of no hearings on the subject whatsoever, since this is an entirely new provision, is most ill-advised and dangerous.

I believe the method of pricing this bill would prescribe would have most serious and deleterious effects upon industry. It will mean that prices to the vendee will vary in accordance with distance and cost of transportation from the seat of manufacture or extraction, as in the case of coal or other minerals. In other words, all quotations under the bill must be f. o. b. manufacturing plants or mines. The freight charges and railroad rates or water or highway charges must be superimposed specifically upon the basic price and clearly indicated on all invoices. This restriction will localize all industry and manufacturing.

For example, A manufactures shoes, say in New York City, and B manufactures a comparable product in St. Louis. A has been heretofore profitably selling X, his customer in St. Louis, and has been successfully competing with his competitor B, the manufacturer in St. Louis. He has been charging X the same price as quoted by B. He has done this despite the fact that he has been compelled to pay transportation charges from New York to St. Louis. The manufacturing costs of A are partly the result of his enjoying the business of X. If A is, under this bill, compelled to superimpose upon his price the transportation cost, he will lose the account of X, and B will get the business and A's costs will be increased. A ordinarily made up the transportation charges for shipping to X by means of mass production and other economies. He will be restricted in doing this under this bill. The effect therefore will be the following: A will be compelled to confine his activities to New York, and B, the manufacturer in St. Louis, will be compelled to confine his activities to St. Louis. Thousands of businesses will thus become parochial, because the circle of customers will be more and more definitely delimited. The result will be increases in manufacturing and distributing costs and a cutting off from customers of the full benefits of mass production and distribution. The consumer again will "pay the piper."

WHO OPPOSES THE BILL?

Representative PATMAN offers this query. Aside from the economists I have mentioned this bill is opposed by all voluntary groups of independent retailers, consumer cooperatives, and farm organizations, like the National Farm Bureau Federation; the Independent Grocers Alliance, alone representing 20,000 independent retail grocers; and the National Cooperative Council. At the present time the consumer cooperatives number 6,500, having a membership of over 2,000,000 individuals, 500 retail stores, 50 wholesale establishments, 1,500 farm supply houses, and 1,500 oil-supply stations. The cooperative movement is in its infancy in this country and is growing daily. The retailers have made great progress in meeting chain-store competition by pooling their orders to secure quantity advantages. Such "voluntaries" do as large a volume of business as the national chains.

There are over 100,000 independent retailers in the grocery field alone acting together in "voluntaries." This bill would hurt these "voluntaries" and in that sense would strengthen the chains.

G. ELIAS & BRO., INC.

Mr. MEAD. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 371) for the relief of G. Elias & Bro., Inc., which is now on the Speaker's table, and in explanation, I may say that a similar House bill was passed in the omnibus-claims bill which was considered and passed yesterday. If this consent is granted, and the Senate bill passed, I shall ask that the proceedings by which the House bill was passed be vacated.

The Clerk read the title of the bill.

Mr. SNELL. Mr. Speaker, as I understand the situation, we passed the House bill yesterday and a Senate bill had already been passed, and the gentleman is now asking to substitute the Senate bill for the House bill, the Senate bill being practically the same bill.

Mr. MEAD. That is correct.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay to G. Elias & Bro., Inc., out of any money in the Treasury not otherwise appropriated, the sum of $24,139.28, in full settlement for losses suffered by the said G. Elias & Bro., Inc., by reason of changes in the specifications and extra work from which the Government received the benefit but for which no pay whatever has been paid to the said G. Elias & Bro., Inc., under contracts W 535 AC–602 and W 535 AC–628 dated December 14, 1926, and January 28, 1927, with the Air Corps for furnishing certain airship parts and equipment to the United States Army Air Corps: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or agents, attorney or attorneys, on account of services rendered in connection with said claim. It shall be unlawful for any agent or agents, attorney or attorneys, to exact, collect, withhold, or receive any sum of the amount appropriated in this act in excess of 10 percent thereof on account of services rendered in connection with said claim, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MEAD. Mr. Speaker, I ask unanimous consent that the proceedings by which the bill (H. R. 2674) for the relief of G. Elias & Bro., Inc., was passed on yesterday be vacated and that the bill be laid on the table.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

THE REVENUE BILL OF 1936

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 12395) to provide revenue, equalize taxation, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. WARREN in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. RICH. Reserving the right to object, I think it would be fine if the membership of the Committee had the bill read to them, because I think very few of them have had an opportunity to read it.

The CHAIRMAN. The bill will be read under the 5-minute rule. Is there objection?

There was no objection.

The CHAIRMAN. The gentleman from North Carolina [Mr. DOUGHTON] is recognized for 1 hour.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I also request that I be not interrupted until I have completed my main statement, after which, if I have time, I shall be glad to yield to such questions as may be propounded.

Mr. Chairman, H. R. 12395, entitled "A bill to provide revenue, equalize taxation, and for other purposes", is now before the House in response to the President's message to Congress of March 3, 1936. In proposing and supporting the pending bill, I do so with the full realization of the fact that it is never popular to impose taxes. However, I make no apology for the part I am taking in offering for the consideration of Congress the bill that is now before this body.

First, I shall discuss briefly the necessity for a tax bill at this time; and, second, the basic principles upon which the bill is predicated. Since the message of the President just referred to, the Treasury's needs for additional revenue, as well as the President's suggestions for meeting these needs, have been under consideration by the Committee on Ways and Means and have had careful study by that committee, especially by the subcommittee. In addition public hearings were held, based upon the report of the subcommittee of March 26, 1936. The present bill is the result of such consideration, study, and suggestions made in the course of the public hearings.

In the minority report it is stated:

> We have had no opportunity to examine the 236-page bill before today. We have not been permitted a part in drafting it. It was prepared by the Democratic majority behind closed doors, from which we were excluded. They must assume full responsibility for it.

True, when the work of the final draft of the bill was undertaken, the minority members were not invited. However, when the matter was first taken under consideration and at our first meeting, all members of the committee, including the minority, were invited. This meeting most of the members, both the majority and the minority, attended. At this meeting it was decided that the preliminary work could best be done by the subcommittee, and a motion was adopted to refer the matter to the standing subcommittee on revenue of the Ways and Means Committee with the request that they make a careful study of the matter and report to the full committee. This course was pursued and both the majority and minority members of the subcommittee attended and participated in the study and deliberation of the work assigned to them. Then, when the subcommittee's report was made, public hearings were held by the full committee, and everyone was given an opportunity to testify who made a request to be heard. By the time the hearings were concluded it was fully evident that the minority members would oppose any tax bill, or certainly any along the lines proposed in the subcommittee's report. In fact, this statement was frequently made by the minority members of the committee. This being true, the majority members realized that the full responsibility of the tax bill was upon them and that only useless political discussion and delay would result by having the minority members present. Therefore, we cheerfully accept the challenge to take full responsibility for the bill, and the minority must take full responsibility for opposing the raising of revenue to finance the farm program and take care of the obligations assumed by Congress for the immediate payment of the soldiers' adjusted-service certificates, and also for endeavoring to keep the ordinary Budget balanced, for which they profess such great solicitude, but oppose every effort to accomplish this purpose.

The minority report further says, "They were whipped into acceptance against their better judgment of proposals advocated by no one of experience or ability in the field of taxation." This statement must have been the result of the first lessons of the minority under the tutorship of the new "brain trust" recently employed by the chairman of the Republican National Executive Committee, as I feel certain that nothing so ridiculous and untruthful would originate in the brains and bosoms of the minority members. [Laughter.] They know full well that at no time during the present administration has our committee in any way been whipped or even urged to accept or do anything that did not conform to our own judgment. Nothing more than suggestions was offered to our committee as to how we should raise the needed revenue. Some of these suggestions were taken and some were not.

A complete refutation of that statement comes from a minority member, the gentleman from New York, an able, courageous member of the Committee on Ways and Means, Dr. CROWTHER, a man of whom the members of his own committee could not make a rubber stamp. I quote him in refutation of the statement that the Democratic members have been made rubber stamps:

> Mr. CROWTHER. I do not think that at any time since I have been on the committee—I do not think that even now, as much as the majority is being charged with it—there has been or is very much pressure from the administration that has any great effect on this committee. I do not know of a committee that has had more independence of thought, during my long experience with it, than the Ways and Means Committee of the House, or independence of action in using their own judgment.
>
> Their judgment has been guided largely by the knowledge that they gained from competent witnesses who appeared before us.

If any better denial can be made, if any more positive statement as to the lack of foundation for the statement of the minority members that the majority members have been whipped into line, I should like some one to formulate the language.

The necessity for substitute taxes at this time arises from the decision of the Supreme Court on January 6, 1936, outlawing or holding invalid the processing taxes levied under the Agricultural Adjustment Act, and also the additional annual charge that has been placed on the Treasury through the enactment of the Adjustment Compensation Payment Act. In specific terms, the President outlined the effect on the Budget of the events to which I have just referred. In short, the Supreme Court decision adversely affected the Budget in the amount of $1,017,000,000 during the fiscal years of 1936 and 1937, and the net effect of the enactment of the Adjusted Compensation Payment Act, is to add for a period of 9 years an annual charge of $120,000,000 to the $160,000,000 already in the Budget. To meet these needs, the President requested the Congress to raise $620,000,000 annually of permanent revenue and $173,000,000 annually as temporary revenue for a period of 3 years. So it will be seen that the revenue provided in this bill is primarily for the benefit of agriculture and to finance the agricultural program recently enacted by Congress and to take care of the additional burden placed upon the Treasury recently by Congress through the enactment of the Adjustment Compensation Act. Let it be said emphatically that for neither of these two causes is the President of the United States responsible. The benefits that have come to agriculture under the A. A. A. and the policies of the present administration are so manifest and evident that I cannot see how anyone would dare to refuse to aid in carrying forward a program for the benefit of agriculture.

In this connection, I deem it appropriate to review the record of the past several years relative to the plight of agriculture. Immediately following the inauguration of President Harding in 1921, a Republican Congress under the leadership of a Republican President, machinery was set in motion, the purpose of which it was claimed was to bring the farmer back to normalcy, and, if normalcy meant insolvency and bankruptcy, which it usually does under a Republican administration, the effort was superlatively successful. All during the period of the Harding, Coolidge, and Hoover reign, the American farmer was being driven to economic ruin and despair, while the forces of greed and privilege, so abundantly protected and cared for by these administrations, were entrenching themselves, not only in the control of American industry, but in the control of Government itself. Mergers, consolidations, and the like were carried on throughout the country, driving innumerable independent and small competitors out of business, while those in control of government sat idly and complacently by, viewing through rose-colored glasses only the economic conditions of the favored few, at the same time rejecting by veto after veto almost every proposal advanced by organized agriculture and such men as ex-Governor Lowden, of Illinois. The McNary-Haugen plan, the export debentures plan, and, in fact, every proposal of the farm leaders was discarded or disregarded with the blunt statement that these proposals were unsound and unworkable, just as the opponents of the pending bill are now charging.

Any legislation that does not conform to or comport with the ideas of the high command of the Republican Party is always denounced as unsound and unworkable. We have heard that in every tax bill that we have passed.

Instead of adopting any of the proposals for the advancement of the farmers they were given the Federal Farm Board with an appropriation of one-half billion dollars and the Hawley-Smoot-Grundy Tariff Act, which, we were told by

ex-Senator Watson, of Indiana, and others, would bring forth abundant prosperity, and the American standard of living would rise higher and higher on account of the work done by the then called best minds, of which they took unto themselves a complete monopoly. These best minds were doubtless similar to the new Republican "brain trust", 52 of whom have just been taken on to tell the Republicans how to write a platform, select a candidate, and doubtless criticize an equitable tax bill. This was the era when poverty was to be abolished, two cars were to be in every garage, and a chicken in every pot. We all know what happened to the farmers in those halcyon days of normalcy, prosperity, and full dinner pails. We saw the price of the farmers' products and the farmers' economic position and American life sink lower and lower, continuing in a tail spin, until President Roosevelt took over the control and righted the ship.

In that connection I would say, if it takes 52 college professors or "brain trusters" or "bone-head trusters", or whatever you call them, to tell the Republican Party how to select a candidate and write a platform, and if by any chance, if by an accident, if by any misfortune, we should be so unfortunate and should have such a calamity as the election of a Republican President, which I am sure the good sense of the American people will never allow and Divine Providence never permit—if it takes 52 to start them and write a platform and select a candidate, how many would it take to conduct a Republican administration? [Laughter and applause.]

Let us compare conditions under the Republican with that existing under the present administration. First, let us compare the record with respect to agriculture, since the revenues to be raised by the pending bill is made necessary if we are to continue aid to the farmers, to which end President Roosevelt promised there would be no retreat, knowing full well that by aiding agriculture of which about 23 percent of our population are actively engaged and an additional 17 percent are directly dependent upon, we will be helping to restore prosperity to our entire population, since added purchasing power in the hands of the farmers will inure to the benefit of business in all lines of endeavor. Our Republican friends opposing the enactment of this bill may desire to return to the old order, but I am confident the great mass of the American people favor continuing the New Deal and a square deal for the farmers.

One need only compare conditions in 1920 and 1932 with those existing today to see the beneficent results of President Roosevelt's policies.

In 1920 the gross farm income constituted 17 percent of our total national income, whereas in 1932 it was only 7.8 percent. In other words, the gross farm income dropped from $13,500,000,000 in 1920 under President Wilson to $5,200,000,000 in 1932 under Hoover, a decrease of more than 61 percent. This decrease of $8,300,000,000 was reflected in the increased number of unemployed and in the reduced pay envelope of those fortunate enough to have employment. If the farmers had had the same income they enjoyed during the last year of the administration of Woodrow Wilson, it would not now be necessary for us to make the large appropriations to administer to those in distress. In 1932 the cash income of the farmers amounted to $4,300,000,000; in 1933 $5,300,000,000, an increase of $1,000,000,000; in 1934 it was $6,200,000,000, an increase of $1,900,000,000 over 1932, and in 1935 the cash income amounted to $6,700,000,000, an increase of $2,400,000,000, or more than 55 percent increase over 1932.

To illustrate further, let us compare the last 3 years of Hoover with the first 3 years of Roosevelt with respect to the price of three of the basic farm crops—cotton, wheat, and corn.

UNDER HOOVER	UNDER ROOSEVELT
Cotton	*Cotton*
March 1, 1930, 15.10 cents per pound.	March 1, 1933, 5.90 cents per pound.
March 1, 1933, 5.90 cents per pound.	January 1, 1936, 11.35 cents per pound.
Decline of 61 percent.	Advance of 92 percent.
Wheat	*Wheat*
March 1, 1930, $1.16 per bushel.	March 1, 1933, 48 cents per bushel.
March 1, 1933, $0.48 per bushel.	January 1, 1936, $1.01½ per bushel.
Decline of 59 percent.	Advance of 111 percent.
Corn	*Corn*
March 1, 1930, 88.4 cents per bushel.	March 1, 1933, 24.12 cents per bushel.
March 1, 1933, 24.12 cents per bushel.	January 1, 1936, 60.87 cents per bushel.
Decline of 73 percent.	Advance of 152 percent.

The price of hogs, cattle, tobacco, and, in fact, all farm products shows similar and even greater increases.

In 1920 the total value of farm properties, including lands, buildings, and equipment amounted to $61,000,000,000, and in 1932 it had dropped to $34,200,000,000, a loss of $27,100,000,000, or nearly 45 percent. In 1920 the ratio of mortgage debt to farm properties was 11.8 percent, and in 1932 it had increased to 24.8 percent, and during this period thousands upon thousands of farms were lost through foreclosure and forced sale for payment of taxes, many of whom in desperation committed suicide. Under the administration of the Farm Credit agencies, the farmers have been saved approximately $55,000,000 a year in reduced interest charges.

This increase in the economic condition of American agriculture, achieved under the policies of President Roosevelt, has been one of the major factors in the improved condition of American industry and business; yet we find the Republican members voting, almost to a man, against measures designed to maintain and add to those gains.

Now let us compare the industrial and business conditions during the last 3 years of Hoover and the Old Deal, with those existing today under Roosevelt and the New Deal.

UNDER HOOVER					UNDER ROOSEVELT			
				Industry				
Industrial production	Jan.	1, 1930	110.4		Industrial production	Jan.	1, 1933	61.4	
(Index: 1926=100%)	Jan.	1, 1933	61.4	Decline 44%	(Index: 1926=100%)	Jan.	1, 1936	92.9	Advance 51%
Steel production	Jan.	1, 1930	2,903,012 gross tons		Steel production	Jan.	1, 1933	861,034 gross tons	
(Month ending)	Jan.	1, 1933	861,034 gross tons	Decline 70%	(Month ending)	Jan.	1, 1936	3,081,000 gross tons	Advance 257%
Auto registration	Jan.	1, 1930	161,830 units		Auto registration	Jan.	1, 1933	55,105 units	
(Month ending)	Jan.	1, 1933	55,105 units	Decline 66%	(Month ending)	Jan.	1, 1936	235,000 units	Advance 326%
				Commerce				
Wholesale prices	Jan.	1, 1930	92.5		Wholesale prices	Jan.	1, 1933	61.0	
(Index: 1926=100%)	Jan.	1, 1933	61.0	Decline 34%	(Index: 1926=100%)	Jan.	1, 1936	81.0	Advance 33%
Total exports	Jan.	1, 1930	$3,843,000,000		Total exports	Jan.	1, 1933	$1,675,000,000	
(Year ending)	Jan.	1, 1933	$1,675,000,000	Decline 56%	(Year ending)	Dec.	1, 1935	$2,228,000,000	Advance 33%
Total imports	Jan.	1, 1930	$3,061,000,000		Total imports	Jan.	1, 1933	$1,450,000,000	
(Year ending)	Jan.	1, 1933	$1,450,000,000	Decline 52%	(Year ending)	Dec.	1, 1935	$1,993,000,000	Advance 37%
				Securities				
Listed stocks	Mar.	1, 1930	60.52		Listed stocks	Mar.	1, 1933	15.20	
(Average)	Mar.	1, 1933	15.20	Decline 75%	(Average)	Jan.	1, 1936	35.62	Advance 134%
Listed bonds	Mar.	1, 1930	96.19		Listed bonds	Mar.	1, 1933	74.89	
(Average)	Mar.	1, 1933	74.89	Decline 22%	(Average)	Jan.	1, 1936	91.85	Advance 22%
				Public utilities				
Power production (Month ended)	Jan.	1, 1930	7.87 billion kilowatt-hours		Power production (Month ended)	Jan.	1, 1933	7.14 billion kilowatt-hours	
Power production (Month ended)	Jan.	1, 1933	7.14 billion kilowatt-hours	Decline 9%	Power production (Month ended)	Jan.	1, 1936	8.50 billion kilowatt-hours	Advance 19%

To eliminate seasonal differences where they are a factor, the corresponding months in calendar years are used

Since these statistics were compiled still greater improvement in business has been achieved, and one need only look at the signs of it in the financial page of the newspapers. I shall quote from a few appearing in recent days.

Here is one from the Washington Post of April 14, under a New York date line of April 13, showing that the—

National Industrial Conference Board estimates show an increase of 5,413,000 more persons were at work in December 1935 than in March 1933.

On the same page I find the following:

CHICAGO, April 13.—Chicago's Easter trade last week reached the highest peak since 1920, the Chicago Association of Commerce said today. Retail outlets reported sales from 10 to 40 percent above those of a year ago.

How is it, and how can it be, that more industries can run and more people can be given employment to man these industries and yet unemployment not be reduced? Of course, such an argument is absurd.

Mr. KNUTSON. Mr. Chairman, I rise to a point of order. It is my understanding that all remarks are to be confined to the bill under consideration.

Mr. DOUGHTON. Absolutely; and this bill under consideration is for the benefit of the farmer.

Mr. KNUTSON. I thought the gentleman was delivering the keynote speech of the next campaign.

Mr. DOUGHTON. I am sorry that the truth is always burdensome to the gentleman.

Here is another from the Washington Post of April 20:

STEEL OUTPUT 70.5 PERCENT, NEW HIGH MARK—FRESH DEMAND INCREASES OPERATIONS 4 POINTS DURING WEEK

CLEVELAND, OHIO, April 19.—Fresh commitments for iron and steel, mainly from automobile manufacturers and railroads, have taken up some of the recent slack in new buying, with the result that steel-works operations this week advanced 4 points to 70½ percent, says Steel today.

Taking up again the matter of the tax bill, the President, while recognizing the complete authority and discretion of Congress in the formulation or imposition of appropriate taxes to meet the needs of the Treasury for permanent and temporary revenues, did invite attention to several forms of taxation, which might be employed to meet these needs. In the main, the committee has found it desirable to adopt in principle the more important of these proposals. I shall not attempt to discuss the bill in its technical aspects, as this will be taken up in detail by the able chairman of the subcommittee, Mr. HILL, and other members of the committee, who will speak later on the bill. I shall, however, address myself to an explanation of the provisions of the bill and a review of some of the reasons which prompted their selection.

First, I shall take up the measures proposed by the committee to provide during the next 3 years temporary additional revenues, amounting to $517,000,000. This will require temporary taxes, bringing in about $173,000,000 per annum. The committee was not prepared to reach a final decision as to the measures to be adopted to raise the entire amount of the temporary revenue required, especially as it recognized that its decision might be affected by conditions which might arise between now and the next session. On the other hand, it recognized that not less than one-third of the required revenue should be raised during the fiscal year 1937.

Mr. Chairman, a great deal was said about those who opposed in our hearings the tax measure, but the hearings will disclose the fact that most of this opposition arose from a misunderstanding that we were going to reenact the processing tax, and a misunderstanding of what we were going to do with the windfall tax; but after they found out what our policy would be, most of them, or many of them, seemed satisfied.

To fulfill this need, your committee has recommended that the capital stock tax be continued for 1 year at one-half the rate provided in the Revenue Act of 1935, and that a "windfall" tax be enacted to put a special levy on the unjust enrichment arising as a result of the collection from the public of excise taxes which the taxpayers upon whom they were laid did not pay into the Federal Treasury. As appears from the committee's report, it is estimated that this procedure will result in additional revenue from the capital stock tax of $83,000,000 and from the "windfall" tax of $100,000,000. This gives a total of additional revenue for the next fiscal year of $183,000,000, an amount $10,000,000 in excess of that requested by the President.

The reasonableness of the so-called "windfall" tax, in my opinion, is beyond question, and great care has been exercised in its drafting to insure that its burden shall not rest upon income or taxpayers to which it is not justly applicable. Nevertheless, there has been considerable misapprehension in respect to the nature and purposes of the proposed tax. Perhaps this can best be cleared up by stating first what it is not. It is not a tax upon the amount of any impounded taxes, nor is it an attempt to collect processing taxes which have been invalidated by the Supreme Court. The tax is an income tax imposed on unjust enrichment accruing to any person from shifting to others the burden of Federal excise taxes. The tax applies to two classes of persons, (1) those who were supposed to be liable for the tax and shifted this burden to others, but who did not pay the tax, or who paid it and obtained a refund; and (2) dealers who included the amount of Federal excise tax in the price of goods sold by them, but who were subsequently reimbursed by their vendors for the amount of the tax. It is proposed that the tax be applicable to any taxable year ending with January 1935, or at any time thereafter. The tax is thus sufficiently retroactive to cover the unjust enrichment accruing as a result of the impoundment and nonpayment of processing taxes during 1935.

As I have stated, the tax has been carefully drafted from the point of view of equity, even to the extent of risking some of the revenue which the measure is designed to produce. To this end provision has been made against double taxation of the unjust enrichment income through the means of appropriate credits for the regular Federal income and the excess-profits taxes which such income may have borne. Thus, in effect, the total tax on the unjust enrichment is only the 80 percent provided for under title III of the bill.

The bill also makes appropriate provision for refunds under the Agricultural Adjustment Act and for floor stocks adjustment. These relate largely to refunds on exports and in connection with deliveries for charitable distribution or use, and to the treatment of floor stocks on hand at the time of the invalidation of the Agricultural Adjustment Act substantially as though the tax had been terminated by order of the Secretary of Agriculture under the provisions of said act. The provisions of this title relate more or less to technical matters which will be discussed by Mr. HILL.

My good friend from Pennsylvania, Mr. RICH, an ardent and able Member of the House, often asks, when we propose some measure that will require some expenditure, "Where are we going to get the money?" I will tell the gentleman where we are going to get it. We are going to get it from those who are best able to pay, and from a source where we will impose no unjust burden on anyone.

I come now to a consideration of the measure proposed to meet the permanent needs for additional revenue, estimated to amount to $620,000,000 annually. The President suggested consideration of some form of undistributed profits tax. In its report the committee has recognized the fact that the greatest defect in our present system of taxation is the fact that surtaxes on individuals are avoided by impounding income in corporate surpluses. It has recommended, therefore, a plan of taxation which taxes a corporation on the net income, but which fixes the rate in accordance with the proportion of the net income undistributed. In form title I

of the bill, as reported, is a restatement of the existing income-tax law with the changes necessary to effectuate the imposition of a tax on corporations at a rate which will depend on the ratio of the undistributed net income to the entire net income; or, stated in another way, on the ratio of dividends paid to the net income. Title II of the bill contains the necessary amendments in respect to the capital-stock and excess-profits tax. These taxes will be referred to again in connection with my discussion of the permanent tax proposal.

The President, in his tax message, invited the attention of Congress to the circumstances that the form of tax which you now have under consideration—

> Would accomplish an important tax reform, remove two major inequalities in our tax system, and stop "leaks" in the present surtaxes.

Stated another way, the measure is designed to provide a more equitable system of taxation, while at the same time producing the required additional revenue. The proposal is not new, nor was it adopted without serious and earnest consideration of all available sources of revenue. Taxation is a practical matter and must be governed largely by practical considerations. It lays a heavy hand upon our citizens, and it is unfortunately true that, no matter what tax may be devised, in its ultimate effect the tax must be paid by individuals, whether they be shareholders or wage earners. However, in selecting a form of taxation, we should be careful not to impose burdens upon those who are already carrying too heavy a tax load. So far as possible, we should follow the sound principle of ability to pay. We must also bear in mind that, apart from the levy on capital, taxes can only be paid from one of four principal sources: The first is receipts from business profits; the second, wages and salaries; the third, receipts from rents; and the fourth is receipts from interest.

The preliminary questions which were debated when the need for new revenue arose were, Where ought we to look for the added money and what form ought the tax to assume? This latter question was considered especially important, since the form and character of any additional tax would determine, in a large measure, which of the several income groups of our population will chiefly bear the burden. Among the possibilities were the following: (1) A general manufacturers' sales tax. Such a tax, although productive, would fall heaviest on the members of the lower income groups. In addition, the fact that some 61 percent of the total revenue for 1935 was obtained from consumption and similar excises weighed heavily against the recommendation of additional excises; (2) reduction in personal exemptions and increase in the normal tax rate. This was not recommended, because it was felt that no increases in the existing income-tax rates should be considered unless and until we were quite sure that all important sources of tax evasion or of tax avoidance in existing income-tax laws had been eliminated; (3) a drastic increase in the corporation tax or some other plan for imposing on corporate profits a fair tax burden.

We were impressed by the figures on corporate profits, because such figures as there are indicate that there has been no corresponding great increase during the years 1934–35 in rents, farm income, and factory pay rolls. These facts persuaded us that, if we were to raise the required revenue with any proper regard to equity, it would probably have to come from corporation profits. However, the decision did not rest upon revenue considerations alone, or even in the main upon such considerations. The decision was governed primarily by considerations of equity and by the fact that through applying this principle we could raise the required revenue from sources which so far have failed to carry their proportionate share of the tax load. This was clearly stated in that part of the President's tax message to which I have already referred.

The primary purposes of the proposal to substitute for our present corporation income, capital stock, and excess-profits taxes a corporation income tax based upon the corporate earnings retained by the corporation are, first, to eliminate the present inequalities of our taxation of business profits as between incorporated and unincorporated businesses; second, to remove a very important source of tax avoidance that inheres in our present income-tax laws; and third, as a consequence of the elimination of inequalities and sources of tax avoidance, to increase the Federal revenues to the extent necessary to balance the regular Budget—that is, to balance all Federal expenditures other than those made for purposes of relief.

As already stated, the committee proposal, in accordance with the substance of the President's suggestion, proposes to accomplish these purposes by substituting for the existing corporation taxes a graduated tax on corporation incomes, the graduation being based, first, on the size of the corporation income, and second, and more fundamentally, upon the portion of the corporation's net earnings that are retained in the business.

When distributed to stockholders, corporation earnings become a part of the incomes of the individual stockholders and are subject to the graduated surtaxes. Corporation earnings which are not currently distributed in dividends now escape the surtaxes for long periods, or altogether, thereby creating an unfair discrimination. All earnings of a partnership or an enterprise owned by a single individual, whether reinvested or not, are now currently subject to surtaxes.

The earnings withheld by corporations add no less to the wealth of the shareholders than the earnings distributed in dividends; for the reinvestment of corporate earnings becomes reflected in the stockholder's share of the net worth of the corporation and in increased earning power. It is worthy of note that the process of reinvestment of earnings frequently results in very large capital gains that escape capital-gains taxes. The accrued capital gains of a lifetime, if obtained through the retention and automatic reinvestment of corporate earnings, escape all capital-gains taxation, because the law does not provide any tax on the increment between cost and market value at the time of death, the entire estate being subject only to the ordinary estate taxes, on the market value, that are paid by all estates. Thus no special compensation is received by the Federal Government for the loss in revenues suffered during the lifetime of the owner by reason of his use of the corporate form.

Shareholders in corporations that pursue liberal dividend policies are now discriminated against, because they are not permitted to reinvest tax-free the corporate earnings that they receive as dividends; whereas the stockholders in corporations that retain the bulk of their earnings are permitted under the present law to reinvest their share of the corporate earnings, in effect, without payment of individual income taxes thereon.

Further, the present ability of the controlling stockholders of corporations to choose the timing of dividend distributions without any effect upon the corporation's tax liability and without reference to current earnings is resulting in tremendous losses of revenue to the Federal Government through an unjust avoidance of taxation by stockholders of large personal incomes. The earnings withheld by a corporation would, if distributed, materially raise the surtax brackets of many stockholders, thereby putting the stockholders in the surtax brackets where they really belong. When withheld for a time and then paid out in years when the other income of important stockholders is smaller such earnings escape the higher rates to which they would have been subject. Individual businessmen and partnerships possess no corresponding choice for the timing of the distribution of earnings for income-tax purposes.

The present law discriminates against stockholders with small incomes. The corporation earnings are subject to the graduated 12½- to 15-percent corporation income tax, as well as to capital-stock and excess-profits taxes. As against these rates of 12½ to 15 percent taken out of earnings, plus the capital-stock and excess-profits taxes, amounting on the average to about an additional percent, the stockholders' dividend receipts are exempted only from the 4-percent normal tax. Under the pending bill it would be impossible

for a corporation to avoid income taxes altogether, and the small stockholder would pay only the normal tax of 4 percent on his dividends or no tax at all, according to his total income, instead of in effect the present corporation income, capital-stock, and excess-profits taxes.

On the other hand, the present law sometimes favors the partnership as against the small corporation. There are many corporations whose earnings, if wholly distributed among the shareholders, would not be subject to individual income taxes averaging from 12½ to 15 percent, because the shareholders of those corporations do not fall into sufficiently high surtax brackets. The corporate form of business organization is, nevertheless, desired by numerous small and medium-sized enterprises for reasons of convenience, flexibility, limitation of liability, and the like. Discrimination in taxation against the corporate form of business enterprise, as well as discrimination in its favor, would be removed by the present proposal.

In substance, two major results would be accomplished by the proposed measure: First, all business, whether incorporated or not, would be placed on substantially the same basis for income-tax purposes; second, we would apply throughout our income-tax law the principle of taxation according to ability to pay.

In final analysis, ability to pay rests with the individual, and not with the corporation. When we tax the corporation itself we are really taxing an artificial entity representing an aggregate of individuals in almost every degree of economic condition and owning all the way from a few shares of stock to blocks representing hundreds of thousands of shares. Obviously, then, no tax (with the exception, perhaps, of a withholding tax which would be administratively very difficult) could be devised, which collected from the corporation, would equalize the tax burden with the ability of the individual shareholder to pay. This being true, we can never have equitable taxation of business income so long as we ignore the real ownership of the corporate income and continue to tax the corporation as an entity very much as if it were an individual. Ability to pay rests with the individual and the individual should be the basis, so far as possible, on which income taxation is applied.

That the proposed measure will carry out the principle of ability to pay is apparent from the fact that these additional revenues will come mainly from the real owners of business income now avoiding the surtaxes thereon. Studies supplied to the committee indicate that if corporations were to distribute to their shareholders all of their 1936 earnings, the taxable income of individuals would be increased by approximately $4,000,000,000. Of this large sum, more than 71 percent would be received by individuals with net incomes of more than $25,000 a year, and about 45 percent by individuals with net incomes in excess of $100,000 a year—individuals, in other words, who are subject to the higher surtax rates in our income-tax schedule. To the extent that corporations do not disburse their current earnings, the additional revenues will be obtained from higher corporation income taxes, corresponding as near as may be on the average to the rates that would have been paid by their shareholders if corporate earnings were fully distributed. At this time I ask that there be inserted in the record an estimated distribution of individual income as prepared by the Treasury Department.

The minority says that this will undermine business. We have taken all of the pains possible that we could, with any degree of equity and justice, to provide for corporations that may be in distress or in debt or that may need larger surpluses. I will ask the gentleman from Washington how many corporations can retain up to 40 percent of their net earnings and pass it on to surplus without paying any more or as much tax as they pay today?

Mr. SAMUEL B. HILL. Two hundred and fourteen thousand out of a total of 257,000—214,000 having an income of $10,000 or less, out of a total number of 257,000.

Mr. DOUGHTON. So those with smaller earnings will pay less tax under our plan than under the present law?

Mr. SAMUEL B. HILL. That is correct.

Mr. DOUGHTON. In the drafting of this measure great care has been taken to make ample provision for the practical requirements of corporate business. Indeed, as I have stated in another connection, practical considerations have been governing throughout our consideration of this and the other tax proposals. There is no intention or desire whatever to interfere with the internal management of business enterprises. The object of this revenue measure is not to tell corporate managements what proportion of earnings they shall distribute and what proportion they shall retain. The object is rather to see that, whatever the decisions of corporate managements, the Federal Government shall not be unreasonably and inequitably deprived of necessary revenues and that the tax burden is equitably distributed. Likewise, it is not the policy of Congress to dictate whether business shall be carried on as individual enterprises or partnerships, on the one hand, or as corporations on the other hand. The present laws go a long way toward doing so by making the use of the corporate form unduly expensive for the little fellow and by offering a source of tax avoidance for the big fellow. It is proposed to remove this inequality.

Some fear has been expressed that the effect of this proposal will be to perpetuate the existing set-up of industry, so that the big will stay big and the little will stay little. This seems to imply that under the present system of corporate taxation the small corporations have equal opportunity to grow into competitive strength with the larger corporations. This would be interesting if true. The fact is that the existing method of taxation has a tendency to increase the competitive advantages of the larger corporations, of which advantages, our experience shows, they have not failed to avail themselves. We do not pretend that this tax measure will remove all inequalities. However, we do claim that it will remove two major inequalities of our tax system while at the same time removing an important source of tax avoidance.

In concluding, I desire to emphasize that the proposed new method of taxing corporation incomes provides a basis for an excellent and productive permanent revenue measure. Its merits are clear: First, it will remove great existing inequalities in the taxation of incorporated and unincorporated businesses; second, it will permit a nearer approach to establishing taxation on the basis of ability to pay; third, it will increase the Federal revenues mainly by removing important sources of tax avoidance rather than by increasing existing tax rates or imposing new taxes; and, finally, this proposal appears to be greatly superior to all alternative proposals that have been suggested. [Applause.]

Before I conclude I should like to read one statement made by Mr. Helvering, Commissioner of Internal Revenue, which shows very clearly the inequality and injustice that exists now in many cases under our present corporation-tax laws. This is from the top of page 20 of the hearings:

> If, for example, a partnership composed of four equal partners earned $1,000,000, the Federal Government would receive $517,136 of those earnings in individual income taxes, assuming that the partners were single men and had no other taxable income. If these same men conducted their business as a corporation and paid themselves salaries of $25,000 each but no dividends, the Federal Government would receive only $145,656 in income taxes—a difference of $371,480. Even if this corporation distributed 50 percent of its earnings, after the payment of $100,000 in salaries, in dividends, the Federal Government would still receive $174,400 less in taxes than it would receive if the business were conducted as a partnership.

Now, if anyone can justify a system of taxation that discriminates to such a degree among its citizens engaged in business, those engaged in business as a corporation and those engaged in business as a partnership, he has a mind that works entirely different to mine. There is no equality, there is no justification whatever for a system of taxation of that kind. This needed reform has been postponed entirely too long.

In conclusion, there are two primary purposes in this bill: First, to raise needed additional revenue. We all admit that. No one will deny that it is needed.

Mr. COOPER of Tennessee. Mr. Chairman, I ask unanimous consent that the gentleman may proceed to the conclusion of his statement.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DOUGHTON. Thank you. I will be through shortly.

The second purpose is to so arrange our corporate-tax laws that the Government will occupy a neutral position as between the taxpayers, or between those who pay taxes as corporations and those who pay taxes as individuals or as partnerships. In other words, the secondary purpose is to bring about a condition of fundamental equality. Moreover, in raising this additional revenue to finance the farm program and to take care of the additional expense placed on the Government by the passage of the soldiers' adjusted-service-certificate act the revenue will be raised where it will impose the least hardship and the least burden. Those are the two fundamentally sound reasons, in my judgment, why this bill should not only commend itself to every fair-minded Member of this House but to every taxpayer. We are striving for the same objective; that is, honest, efficient government as far as possible under existing conditions. I say you cannot challenge the statement truthfully and successfully that this bill is based on fundamental justice, and that any burdens imposed by this law will be placed where they will impose the least hardship.

I thank you all for your most courteous and careful consideration. [Applause.]

I had expected to refer to one other statement contained in the minority report during the limited time at my disposal, so will do so under the leave granted me to extend my remarks.

The minority report, in referring to the opponents of the President's suggestions and the report of the subcommittee during the hearings, states:

> This opposition was based wholly on the vicious character of the proposal, and not on any selfish effort to shift the burden of increased taxes to other groups.
>
> Among those conspicuously absent were the really big-business interests of the country who, by reason of their adequate existing surpluses, view the proposal with equanimity because it will relieve them of their present tax burden and at the same time crush their smaller competitors.

Being a Democrat, I must admit that I have not had the close contact with "the really big business of the country", so I cannot qualify as an expert on what constitutes bigness, and am at a little disadvantage in taking issue with my Republican friends.

During the hearings the committee was favored with the presence of several familiar faces who in the past have always appeared in opposition to practically every tax proposal advanced. Among them were the representatives of the National Association of Manufacturers and the United States Chamber of Commerce, whose representatives appeared in the role of spokesmen for the small businessmen of the country and as stanch opponents of monopoly. They, as usual, told us that the President's suggestions were economically unsound and unworkable and that they would drive the small corporations and businessmen out of business and create and breed monopoly. It was indeed a dismal and tragic picture they painted as to the future of those they represented.

During the testimony of Mr. Sargent, secretary of the Manufacturers' Association, it developed that their board of directors had arrived at their decision to oppose the President's suggestions prior to the printing of the subcommittee's report, they having met in New York on March 25. The directors present at that meeting reads like a membership list of the American Liberty League, whose financial angel was also one of those determining the attitude of the United States Chamber of Commerce, and who, incidentally, has just recently been identified as the financial angel of a so-called grass-roots convention recently held down in Georgia, and whose main activity to date has been the distribution of literature designed to arouse racial prejudices and hatreds.

Only 29 of the 69 members of their board of directors were present at this meeting, and who, according to the last edition of Poor's Register of Directors, are either officers or directors of 164 corporations. Seventeen of those present, according to the report to Congress on corporate salaries in excess of $15,000, received salaries and bonuses ranging from $21,000 to $125,219.92, or a combined total of $905,176.08, an average of $53,245.65 plus, and one of the companies thus represented paid its president $364,432.20. These are the small businessmen whose welfare our Republican friends place over and above the men who till the soil.

The other group of small businessmen, the United States Chamber of Commerce, after taking about 16 days to make up their minds, finally sent representatives to the hearings. They were, as usual, positive and emphatic in their opposition on the ground that the proposals were economically unsound and unworkable, and that the same would drive small corporations out of business and breed monopoly.

Before referring to the personnel of the chamber's finance committee who determined the policy and attitude of the United States Chamber of Commerce, it might be well to refer to a recent article appearing in the Washington Herald in the copyrighted article daily appearing under the heading of "The Washington Merry-Go-Round", by Drew Pearson and Robert S. Allen. This article quoted Harper Sibley, president of the United States Chamber of Commerce, as having said, in connection with the question as to whether or not Secretary of Commerce, Mr. Roper, would be invited to address their annual meeting to be held in the near future. Mr. Sibley was quoted as saying:

> I'm in the middle between two camps. One group, the ultra-hardshell Tories, are opposed to any overtures to the administration. The other, made up chiefly of small businessmen, are on the whole for friendly relations. But it is the first group that controls the chamber.

The finance committee of the United States Chamber of Commerce is as follows:

Fred H. Clausen, of Horicon, Wis., manager of the Van Brunt Manufacturing Co., one of 17 subsidiaries of Deere & Co.

Ellsworth C. Alvord, of the law firm of Alvord & Alvord, Washington, D. C., and former special assistant to Andrew W. Mellon, former Secretary of the Treasury.

Raymond H. Berry, of the law firm of Berry & Stevens, and chairman of the tax committee of the Detroit Board of Commerce.

W. Dale Clark, president, National Bank of Omaha, Omaha, Nebr.

Roy C. Osgood, vice president, First National Bank, Chicago, Ill.

Fred R. Fairchild, professor of political economy, Yale University.

H. B. Fernald, senior member of accounting firm of Loomis, Suffern & Fernald, New York.

Edwin G. Merrill, chairman of board, Bank of New York & Trust Co.

H. S. Wherrett, president, Pittsburgh Plate Glass Co., one of the Mellon interests; and

Lammot Du Pont, president of E. I. du Pont de Nemours & Co., and chairman of board of General Motors Corporation, as well as the financial angel of the American Liberty League and the Talmadge-Kirby Grass Roots Convention.

Six of the above are identified, according to Poor's Register of Directors, with approximately 130 corporations, including their subsidiaries and affiliated companies, 5 of this committee, according to the report to Congress on corporate salaries in excess of $15,000, received salaries and bonuses ranging from $18,900 to $100,219.96, or an average of $52,065.65 plus, and 2 corporations represented by this group paid out in salary and bonus the sum of $8,211,853.74 to 216 persons. This group indirectly represent approximately 71 additional corporations, exclusive of subsidiaries, in which the members of the Du Pont and Mellon families are either officers or directors. A complete list of the corporate connections of those spokesmen for the smaller businessmen of the country say they will be driven out of business through

their inability to cope with monopoly, which they say will be created if the provisions of the pending measure are enacted into law is as follows.

These spokesmen were loud in their denunciation of the President's suggestions during the hearings, but were woefully weak in offering any constructive suggestions or alternatives. One of the witnesses appearing for the chamber of commerce in reply to a question as to where additional revenue receipts could be secured suggested that Congress should require semiannual returns instead of only a single return each year. The net result of such a ridiculous proposal, if carried out, would only bring added administrative difficulties and expense and not result in any increased revenue. Another advocated the reenactment of some form of processing taxes, at reduced rates, but stipulated that only such taxes as would be paid by the consuming public should be considered. The representative of the Manufacturers Association, who was so positive in his declaration that the President's suggestions were economically unsound, when asked what in his opinion was a sound corporate tax, gave the committee none.

Many other witnesses appeared during the hearings, among whom was former Representative Fort, of New Jersey, who I am fearful will be read into the Communist Party by my friend from Massachusetts, since he was far more in accord with the various suggestions contained in the subcommittee's report than the witness alluded to by the Republicans in their minority views.

Directors of National Association of Manufacturers attending meeting in New York, Mar. 25, 1936

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
C. M. Chester	New York	$84,380.00		
Chairman of board, General Foods Corporation				$842,172.51
Director:				
Putnam Trust Co				
Zonite Products Co				16,200.00
Pack and 45th St. Corporation				
Manning, Maxwell & Moore				41,559.96
Central Hanover Bank & Trust Co				768,041.69
Lehigh Valley Railroad				154,337.00
Robert L. Lund	St. Louis	48,000.00		
Executive vice president, Lambert Pharmacal Co				137,000.00
W. Gibson Carey, Jr	New York	23,597.17		
President, The Yale & Towne Manufacturing Co				60,312.33
C. L. Bardo	New York	31,500.04		
President and director, New York Shipbuilding Co				57,578.91
Director, Allis-Chalmers Manufacturing Co				60,031.28
Thomas E. Wilson	Chicago	81,258.40		
Chairman of board and director, Wilson & Co., Inc				123,803.40
F. N. Bard	Chicago	30,050.00		
President and director:				
Barco Manufacturing Co			1	30,050.00
Argyle Railway Supply Co				
Chibar Corporation				
Russell Watson	New Brunswick			
Vice president, Johnson & Johnson				
Walter Harnischfeger	Milwaukee			
President and director, Harnischfeger Corporation				
Harry A. Bullis	Minneapolis			
Vice President and director:				
General Mills, Inc				
Washburn Crosby Co				
Red Star Milling Co				
Larrowe Milling Co				
Oklahoma City Mill & Elevator Co				
Wichita Mill & Elevator Co				
Sperry Flour Co				
El Reno Mill & Elevator Co				
Frontier Elevator Co				
General Grain Co				
Gold Medal Flour Co. of Oklahoma				
Gold Medal Flour Co. of Texas				
Gold Medal Foods, Inc				
Great West Mill & Elevator Co				
Kalispell Flour Mill Co				
Kell Mill & Elevator Co				
Pacific Coast Elevator Co				
Perry Mill & Elevator Co				
Rocky Mountain Elevator Co				
Royal Milling Co				
Star Grain Co				
Coupon Services, Inc				
Washburn Crosby Co. Ltd				
Washburn Crosby Milling Co				
Frontier Mill Co				
American Research Products, Inc				
Howard Grain Co				
Red Bank Co., Inc				
Star and Crescent Milling Co				
President and director, Farm Service Stores, Inc				
F. B. Davis	New York	125,219.92		
President and director:				
United States Rubber Co			9	366,166.98
Sampson Corporation				
United States Rubber Products, Inc				
Director:				
Columbus Rubber Co. of Montreal, Ltd				
Hollandsch Amerikaansche Plantage Maatschappij				
Rubber Regenerating Co., Ltd				
E. I. du Pont de Nemours				3,141,191.29
General Rubber Co				
General Rubber Co., Ltd				
Rubber Manufacturers Association				
Malayan American Plantations, Ltd				
Meyer Rubber Co				
Si Pare Pare Rubber Matschappij				
United States Rubber plantations				25,512.16
Chairman of board and director:				
Dominion Rubber Co., Ltd				
Sampson Tire and Rubber Co				
Executive committee and trustee, New York Trust Co				442,950.00

Directors of National Association of Manufacturers attending meeting in New York, Mar. 25, 1936—Continued

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
F. W. Lovejoy	Rochester	$90,903.90		
President, general manager, and director, Eastman Kodak Co				$773,635.02
Director, Security Trust Co				36,000.00
Kemp P. Lewis	Durham, N. C.	49,762.70		
President and director:				
Erwin Cotton Mills Co			3	83,262.70
Erwin Yarn Co				
Bank of Harnett				
Director:				
Durham Cotton Manufacturing Co				
Fidelity Bank, Durham, N. C			1	16,200.00
Durham & Southern Ry			1	16,656.59
Locke Cotton Mills				
John J. Watson	New York			
President and director:				
International Agricultural Corporation				
Florida Mining Co				
Prairie Pebble Phosphate Co				
Director:				
Fidelity-Phenix Fire Insurance Co			2	44,341.13
Lawyers Title Corporation				
Phosphate Recovery Corporation				
Chairman of board and director:				
Republic Rubber Co				
Lee Rubber & Tire Co				
Henry Abbott	New York			
President and director, Calculagraph Co				
E. J. Barcalo	Buffalo			
President and director:				
Barcalo Manufacturing Co				
Six-Way Corporation				
Director:				
Buffalo, Niagara & Eastern Power Corporation				
Lake Erie Trading Corporation				
Trustee: Erie County Savings Bank				
Otto Ernest Braitmayer	New York	60,000.00		
Vice President and director, International Business Machines Corporation				627,432.20
Director, Weston Electrical Instrument Corporation			2	44,191.25
Harry L. Derby	New York			
President and director:				
American Cyanamid & Chemical Corporation				
Arizona Chemical Co				
Vice president and director, American Cyanamid Co				
Charles F. Stone	Atlanta, Ga			
President and director, Atlantic Steel Co				
Hollie B. McCormac	Winchester, Va			
President and director:				
Virginia Woolen Co				
Union Bank of Winchester				
Director:				
Berkeley Woolen Co				
Virginia Manufacturers Association				
Winchester Credit Corporation				
Southern Industrial Council				
Walter D. Fuller	Philadelphia	46,894.18		
President and director, Curtis Publishing Co			14	453,519.18
Director:				
John F. Clement Co				
First National Bank of Philadelphia			4	98,150.00
Trustee, Penn Mutual Life Insurance Co			8	230,600.00
George H. Houston	Philadelphia	81,740.00		
President and director:				
Baldwin Locomotive Works			8	288,180.00
Standard Steel Works Co			1	21,000.00
Baldwin-Southwark Corporation			1	20,400.00
Whitcomb Locomotive Co				
De La Vergne Engine Co				
I. P. Morris & De La Vergne, Inc				
Federal Steel Foundry Co				
Baldwin Locomotive Works of Cuba				
Baldwin Locomotive Works of Brazil				
Philadelphia Locomotive Works				
Chairman, executive committee, and director:				
Midvale Co			3	75,330.00
General Steel Castings Corporation			2	54,340.00
Cramp Brass and Iron Foundries, Corporation				
Pelton Water Wheel Co				
Director, Flannery Bolt Co			1	19,410.79
Evarts C. Stevens	Meriden, Conn			
Vice president and director:				
International Silver Co			1	20,000.00
Dime Savings Bank, Wallingford, Conn				
International Silver Co. of Canada, Ltd				
Director, Manning-Bowman & Co				
George F. Lang	Baltimore	27,627.31		
President and director, Carr-Lowery Glass Co			4	98,652.25
Director, National Central Bank				
Secretary, Dover Building & Loan Association				
William R. Webster	Bridgeport, Conn			
President and director, Automatic Machine Co				
Chairman of board and director, Bridgeport Brass Co			2	51,823.53
Trustee, Bridgeport-Peoples Savings Bank				
Edward C. Heidrich, Jr	Peoria, Ill			
Vice president and manager, Peoria Cordage Co				
Vice president and director, Peoria Finance & Thrift Co				
Director, Lincoln Fire Insurance Co. of New York				
Vincent Bendix	Chicago	45,129.55		
President and director:				
Bendix Aviation Corporation			1	22,629.55
Bendix Brake Co				
Pioneer Instrument Co				
Scintilla Magneto Co				

Directors of National Association of Manufacturers attending meeting in New York, Mar. 25, 1936—Continued

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
Vincent Bendix—Continued.				
President and Director—Continued.				
Bendix-Stromberg Carburetor Co				
Bendix-Westinghouse Automotive Air Brake Co				
Charles Cory Corporation				
Bendix Products Corporation			2	$47,250.00
Chairman of board and director, Automatic Products Co				
Director:				
First Bank & Trust Co., South Bend, Ind				
Hydraulic Brake Co				
Eclipse Machine Co				
Bendix-Cowdrey Brake Tester, Inc				
Delco Aviation Corporation				
Eclipse Aviation Corporation				
American Propeller Co				
Bragg-Kliesrath Corporation				
Eclipse Textile Devices, Inc				
Permutit Co				
Bendix-Eclipse of Canada				
Julius P. Friez & Sons				
Malcolm Muir	New York	$22,112.91		
President and director, McGraw-Hill Publishing Co				
Director:				
Business Publishers International				
McGraw-Hill Book Co				
Howard Coffin		36,000.00		
President and director, Sulflo Corporation				
Vice president, Turnsignal Corporation				
Chairman of board and director:				
Sea Island Co				
Southeastern Cottons, Inc				
Richard Harte	Easton, Mass	21,000.00		
President and director:				
Ames, Baldwin, Wyoming Shovel Co			1	21,000.00
Ames Shovel & Tool Co				
Director:				
State Street Trust Co			4	90,839.98
Atlantic Precision Instrument Co				
Chicago, Wilmington & Franklin Coal Co			1	20,000.00
First National Bank of Easton				
Waypoyset Manufacturing Co				

Members of finance committee, United States Chamber of Commerce

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
Lammot Du Pont	Wilmington, Del	$100,219.96		
President and director E. I. du Pont de Nemours			80	$3,141,191.29
Subsidiaries and affiliates:				
Canadian Industries				
Compania Mexicana de Explosives				
Compania Sud-Americana de Explosives				
Dupont Building Co				
Grasseli Chemical Co			9	338,355.26
American Zinc Products Co. of Indiana				
Dupont Film Manufacturing Corporation				
Dupont Securities Co				
Du Pont Cellophane Co				
Du Pont Rayon Co			13	463,557.93
Du Pont S. A. (Mexico)				
Du Pont Visculoid Co			5	118,202.43
Celastic Corporation				
Remington Arms Co., Inc			4	93,540.00
Remington Arms Union Metallic Cartridge Co				
Peters Cartridge Co				
Bayer-Semesan Co., Inc				
Nobel Chemical Finishes, Ltd				
Leathercloth Proprietary, Ltd				
Rokeby Realty Co				
Societi Francaise Duco S. A				
Societi Francaise Fabrikoid S. A				
National Ammonia Co				
American Glycerin Co				
International Freighting Co				
Old Hickory Chemical Co				
Kinetic Chemicals, Inc				
Pacific R. & H. Chemicals Corporation				
Krebs Pigment & Color Corporation				
S. A. du Pont do Brasil				
Chairman of board and director, General Motors Corporation			136	5,070,662.45
Subsidiaries and affiliates:				
Yellow Truck & Coach Manufacturing Co				
Ethyl Gasoline Corporation			9	273,094.56
Vauxhall Motors, Ltd				
Adam Opel, A. G				
Bendix Aviation Corporation			1	22,780.00
North American Aviation, Inc				
General Aviation Corporation				
Kinetic Chemicals, Inc				
National Bank of Detroit				
General Motors Acceptance Corporation				
Director:				
General Motors Acceptance Corporation				
Chemical Bank & Trust Co				
Wilmington Trust Co				

Members of finance committee, United States Chamber of Commerce—Continued

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
Wilbur Dale Clark	Omaha, Nebr.	$18,900.00		
President and director, Omaha National Bank				
Fred H. Clausen	Horicon, Wis.			
Manager, Van Brunt Manufacturing Co. (subsidiary of Deere & Co.)				
Deere & Co. subsidiaries:				
Fort Smith Timber & Land Co.				
Syracuse Chilled Plow Co.				
Van Brunt Manufacturing Co.				
John Deere Tractor Co., Waterloo, Iowa				
Dain Manufacturing Co. of Iowa				
John Deere Plow Co. of Moline				
John Deere Plow Co. of Syracuse				
John Deere Plow Co. of Kansas City				
John Deere Plow Co. of St. Louis				
John Deere Plow Co. of Lansing				
John Deere Plow Co. of Indianapolis				
John Deere Plow Co. of Columbus				
John Deere Plow Co., Ltd. of Winnipeg				
John Deere Plow Co. of Saskatchewan, Ltd.				
John Deere Plow Co. of Calgary				
Deere & Webber Co., Minneapolis				
John Deere Manufacturing Co., Ltd., Welland, Ontario				
Roy C. Osgood	Chicago	27,208.33		
Vice president, First National Bank of Chicago			28	$672,104.07
Treasurer and director, Albert Schwill & Co.			1	19,975.11
President and director, Upper Avenue Safe Deposit Co.				
Chairman of board and director, Upper Avenue Bank				
Director:				
American Food Products Co.				
United States Cold Storage Co.				
National Safe Deposit Co.				
St. Louis National Stockyards				
Edwin C. Merrill	New York	51,000.00		
Chairman of board, Bank of New York & Trust Co.			11	288,900.00
Director:				
Atlas Assurance Co., Ltd.			1	20,585.83
Atlanta & Charlotte Air Line				
Electric Bond & Share Co.			24	820,650.00
Globe & Rutgers Fire Insurance Co.				
Patriotic Insurance Co.				
State Mutual Life Assurance Co.			2	55,000.00
Sun Indemnity Co. of New York				
Detroit & Mackinac Ry.				
Sun Underwriters Insurance Co. of New York				
Western Union Telegraph Co.				
Virginia Iron, Coal & Coke Co.				
Subsidiaries:				
New York & Virginia Mining & Mineral Co.				
Doe Mountain Mining & Improvement Co.				
Doe Valley Association				
Colony Coal & Coke Corporation				
Vicco Fuel Corporation				
Member, board of finance of Caledonian Insurance Co. of Edinburgh				
Vice president and trustee, Greenwich Savings Bank				
H. S. Wherrett	Pittsburgh	63,000.00		
President and director:				
Pittsburgh Plate Glass Co. (Mellon interest)			18	548,612.50
Duplate Corporation				
Plate Glass Manufacturers Association				
Vice president:				
Southern Alkali Corporation (subsidiary of American Cyanamid Co.)			2	38,625.00
Other subsidiaries of American Cyanamid Co.:				
Amalgamated Phosphate Co.				
American Cyanamid & Chemical Co.				
The Calco Chemical Co.				
Chemical Construction Corporation				
Davis & Geek, Inc.				
Dillons-Klipstein, Ltd.				
Lederle Laboratories				
North American Cyanamid Ltd.				
Rezyl Corporation				
Director:				
Columbia Alkali Corporation			1	39,500.00
Ditzler Color Co.				
Pittsburgh branch, Federal Reserve Bank of Cleveland				
Westinghouse Electric & Manufacturing Co.			16	435,386.42
Westinghouse Electric & Manufacturing Co., subsidiaries (wholly owned):			4	104,062.75
Westinghouse Lamp Co.				
The Bryant Electric Co.				
Westinghouse Electric Elevator Co.				
Westinghouse X-Ray Co.				
Westinghouse Electric Supply Co.				
Westinghouse Electric International Co.			3	51,244.85
Interborough Improvement Co.				
Laurentide Mica Co., Ltd.				
Turtle Creek & Allegheny River R. R.				
Westinghouse Inter-Works Ry. Co.				
Electric Equipment Corporation				
Westinghouse Acceptance Corporation				
Westinghouse Gear & Dynamometer Co.				
A S National Industri S A				
Australian Westinghouse Electric Co., Ltd.				
Cia Electrica Westinghouse de Chile				
Cia Westinghouse Electric de Cuba				
Cia Westinghouse Electric International S A				
Westinghouse Electric Co. of Japan				
Westinghouse Electric Co. of South Africa, Ltd.				
Westinghouse Electric Co. of India, Ltd.				
Westinghouse Electric Products, Inc.				
Broadcasting stations:				
KDKA, Pittsburgh				
KYW, Philadelphia				
WBZA, Springfield, Mass.				

Members of finance committee, United States Chamber of Commerce—Continued

Name	Address	Salary and bonus received in 1934	Salaries paid in excess of $15,000	
			Number	Total amount paid
H. S. Wherrett—Continued.				
Director—Continued.				
Westinghouse Electric & Manufacturing Co., subsidiaries (wholly owned)—Continued.				
Broadcasting stations—Continued.				
WBZ, Boston				
W8XK, Pittsburgh				
W1XK, Boston				
Subsidiaries (majority controlled):				
East Pittsburgh and Wilmerding Coal Co				
Laboratorio Elettrotecnico Ing Luigi Magrini				
Ellsworth C. Alvord, attorney, firm of Alvord & Alvord, Munsey Building, former special assistant to former Secretary of the Treasury, Andrew W. Mellon.	Washington, D. C.			
Raymond H. Berry, member of law firm of Berry & Stevens, Penobscot Building, and member of Detroit Board of Commerce and chairman of its tax committee.	Detroit, Mich.			
Fred R. Fairchild, professor of political economy, Yale University				
H. B. Fernald, senior member of firm of Loomis, Suffern & Fernald (certified public accountants)	80 Broad St., New York, N. Y.			
Mellon family:				
Mellon National Bank			5	$130,000.04
Westinghouse Air Brake Co			4	92,000.00
Union Trust Co			6	229,687.50
Aluminum Co. of America			10	361,623.20
Koppers Co			4	148,599.96
Forbes National Bank, Pittsburgh				
Carborundum Co			3	83,593.32
Pullman, Inc			9	215,045.92
Milbank Corporation				
Pan-American Airways			3	48,550.00
Pittsburgh Aviation Industries, Inc				
Standard Securities Co				
Union Switch & Signal Co			2	47,700.00
Gulf Oil Corporation				
Pennsylvania R. R			26	671,327.13
National Union Fire Insurance Co			3	60,120.00
Pennsylvania Water Co				
Eastern Gulf Oil Co				
South American Oil Co				
Venezuela Gulf Oil Co			4	81,000.00
Gulf Pipe Line Co			1	21,500.00
Gulf Pipe Line Co. of Oklahoma				
Gulf Production Co			6	158,333.33
Gulf Refining Co			17	448,210.81
Gulf Refining Co. of Louisiana			1	25,000.00
Gypsy Oil Co			4	71,500.00
Westinghouse Electric & Manufacturing Co			16	435,386.42
Westinghouse Electric International Co			3	51,244.85
Monongahela Light & Power Co				
Monongahela Street Ry				
Pittsburgh & Birmingham Traction Co				
Ligonier Valley R. R				
Union Savings Bank			1	25,000.00
Philadelphia Co				
Union Spring & Manufacturing Co				
Western Gulf Oil Co			1	25,000.00
Standard Car Finance Co				
Osgood-Bradley Securities Co				
Columbian Petroleum Co				
Delaware Gulf Oil Co				
Gulf Building Co				
Gulf Pipe Line Co. of Pennsylvania				
Union Fidelity Title Insurance Co				
Gulf Exploration Co				
Mexican Gulf Oil Co				
Tidewater Oil Co			8	194,512.47
Pittsburgh Coal Co			6	199,798.50
Du Pont family:				
Florida National Bank of Jacksonville				
Almous Securities, Inc			3	250,000.00
Florida National Bank & Trust Co				
Gulf Coast Properties, Inc				
Indian Acceptance Co				
Du Pont Motors				
U. S. F. Powder Co				
Atlas Powder Co			4	103,509.00
Delaware Trust Co				
Greenacres Properties Co				
Traction Bus Co				
Francis I. du Pont & Co				
Membership New York Stock Exchange				
Equitable Office Building Co			2	30,690.00
Equitable Trust Co				
Empire Trust Co			5	218,490.00
Continental American Life Insurance Co			1	23,716.11
Sarawins Inc				
Prudential Investors, Inc				
T. W. A., Inc				
Reading Co			9	231,868.00
Ethyl Gasoline Corporation			9	273,094.56
Philadelphia National Bank			10	304,662.00

The CHAIRMAN. The gentleman from North Carolina [Mr. DOUGHTON] has consumed 1 hour and 1 minute.

The gentleman from Massachusetts [Mr. TREADWAY] is recognized for 1 hour.

Mr. TREADWAY. Mr. Chairman, I desire not to be interrupted. Will the Chairman be kind enough to notify me when I have consumed 20 minutes?

Mr. Chairman, there is an old adage which runs, "Least said, soonest mended."

This was never more truthful than as applied to the proposed tax measure.

I do not intend to discuss the demerits of this legislation at this time but will do so later on during the debate. Anyone who can analyze the drastic changes in our tax system

proposed by the bill, which has been public for only 48 hours, or who can intelligently discuss all of its complications and ramifications, has mental capacity that entitles him to be rated as a superman. Not only the complications involved but the lack of information provided, the inaccurate estimates, and the adverse testimony, all could be discussed indefinitely.

The majority, with the aid of all the Government officials and experts at their command, offer only a synopsis of the bill itself. I therefore urge both sides of the House to read the minority report in comparison. While our discussion was necessarily confined to the general principles involved, we invite Members to decide for themselves which report actually tells anything about the operation and effect of the law.

Let me call attention to a few quotations.

The President, in his tax message, said, among other things:

> Such a revision of our corporate taxes would effect great simplification in tax procedure, in corporate accounting, and in the understanding of the whole subject by the citizens of the Nation.

Unfortunately the President has suggested—he evidently no longer orders, as previously—has suggested a tax measure for simplification, reform, and revenue. Last year he also spoke of a "breathing spell."

In addition to this reference from the President, let me quote the following from the majority's report on the bill:

> * * * This will take care of the President's request until the next session of Congress, which can then act more intelligently in the light of then existing conditions.

I think there is no question but what the next Congress will act more intelligently than the present Congress, because it will be a Republican Congress. Possibly the Democratic majority have this in mind. But there is another reason. They want to put off as much of the tax burden as they can until after the election.

The next Republican Congress may have to levy increased taxes to pay for Democratic extravagance, but there is a possibility we can get along with the present taxes after Democratic waste has been eliminated.

What a great thing "simplification" is as today exemplified by this measure. I most heartily commend to the careful attention of the membership of this House and to the people of the country the contents of schedules I, II, and III of section 13. If this is simplification, give me complication!

This complicated legislation was originally worked out with algebraic formulas. The present tables of rates will prove to be more Greek than algebra to the unfortunate taxpayers. The only beneficiaries under this bill, aside from the large monopolistic corporations who will have their tax burden lifted by the bill, will be the high-priced lawyers and accountants who will be obliged to lead their clients through the maze which the subservient Democratic majority have created to further harass business and the taxpayer.

We pass to the word "reform", which is defined in the dictionary as meaning to "change from bad to good." No one can conceive of a greater contrast from actual definition and actual fact than in the statement that this measure is a change from bad to good. It has no good in it; it is all bad. We now have a tax system that has been built up and constantly improved over a period of 23 years. It may be slightly complicated, and possibly it could be still further improved, but certainly the bill presented to the House at this time falls short of any improvement, and falsifies the well-established definition of the word "reform." Any businessman examining its provisions will see how splendidly the "reform" is working in his behalf.

So far as revenues are concerned it must be admitted that the bill is disappointing. Not only are we giving up a certainty in the way of revenue for an uncertainty, but even the arbitrary estimates made by the majority in their report are admittedly a distinct reduction from the President's expectations. I call attention to the fact that the Treasury itself has not furnished a definite estimate of what the bill is expected to produce in the way of revenue, and even if it did the estimate would be no more than a guess. The Federal revenue is actually jeopardized by the bill when it abandons an assured collection of $1,132,000,000 from corporations in favor of a yield which at most is pure conjecture and which will undoubtedly be disappointing in amount.

The distinguished chairman of the committee has just presented this House with a forced explanation of the bill. I realize that he and his associates must on the surface appear to be wholeheartedly for this bill so that they may be enabled to keep their record intact of being administration "rubber stamps." They are, of course, "on the spot." If the truth were known we would find the gentlemen on the majority side of the House as violently opposed to this bill as we on this side. At least one of our Democratic colleagues on the committee, the gentleman from Ohio [Mr. LAMNECK], has the courage of his convictions and refuses to play "follow the leader" on this bill. He knows it is unsound and is going to vote accordingly. Why cannot the rest of you Democrats vote your convictions as well? The President made you enact his pet graduated income tax on corporations last year, and now he has left you "holding the bag" by abandoning the scheme even before it went into operation. How do you know he will not abandon this unsound scheme before adjournment and suggest some other experiment?

I could elaborate indefinitely on these matters, but I wish to direct the attention of the House and the country to the manner in which this bill was prepared.

In January we had the President's message saying, "No new taxes."

In March we had another message from the President requesting new taxes and suggesting certain methods of raising them. His major suggestion had to do with the proposal to revolutionize the corporate tax system and experiment with a new scheme.

The taxation subcommittee of the Ways and Means Committee immediately began a study of the President's suggestions. No bill had been prepared which could be considered. All the subcommittee had before it was the President's message and several professors from the Treasury Department, including Professor Oliphant, Professor Kent, and Professor Haas.

The reason no bill had been prepared was that these impractical and theoretical professors did not know how to work out a bill. They merely gave birth to the idea which the President left on the doorstep of Congress.

After laboring for nearly a month the subcommittee was unable to prepare a bill and simply submitted a list of recommendations to the full committee based on the proposals made by the Treasury officials.

I want to add that in my humble judgment, if it were not for the expert knowledge of the legislative drafting service and the expert tax adviser of Congress, Mr. Parker, you would not have a bill before you today embodying these ideas. They are the men who drafted the language of the bill. You had to wait until you went into private, executive Democratic subcommittee session with them before you could put a line of this bill on paper. I respect very greatly the tax knowledge of my colleagues on the committee, able men that they are, but when it comes to their getting up the phraseology and language in italics in this measure, give me Mr. Beeman and Mr. Parker. These gentlemen, of course, have nothing to say about what goes in the bill; they simply take orders from the majority. At a later time I propose to refer to Mr. Parker's views on the general theory of this kind of tax, to which he is on record as being opposed.

After the subcommittee submitted its report, hearings were then conducted by the full committee on the subcommittee's recommendations, with no bill before it.

I want to emphasize that there never was a meeting of the full committee until the bill was submitted to the full committee on Tuesday morning at 9 o'clock. It was reported out the same day. Did any of you Members, either Republican or Democratic, ever hear of an important piece of legislation coming onto this floor in such a manner? It is rubber-stamping, regimentation, autocratic control, and all

the rest of it run riot. We have seen a lot of it in the last 3 years, but the present procedure beats all the rest to a frazzle. There was never anything like it.

Outside of Treasury officials, only three witnesses appeared in favor of the proposed scheme—not bill—scheme—no bill, understand. Who were they? One was a young attorney who had a few theories of his own regarding taxation; one was a Government attorney for the Communications Commission, whom the Treasury "invited" to appear; and the other was a spokesman for the Communist Party.

Every other witness opposed the bill. Those in opposition were practically all businessmen, with experience and not theory to back up their judgment.

The Secretary of the Treasury was conspicuous by his absence. He became suddenly ill just before the hearings opened and, by recuperating at a fashionable southern resort, was able to return to the city, quite by coincidence, just as the hearings closed. It will be interesting to find out whether he will appear before the Finance Committee in the other body. Possibly he will have a relapse about the time they start their hearings. Humph! [Laughter and applause.]

The hearings were conducted by the majority in such a way as to frighten self-respecting people from appearing. Every witness who opposed the bill was browbeaten, and the majority even resorted to quoting from the salary report, sent up by the Treasury which was taken from the income-tax returns.

They were going around snooping. I used this word once before, and I am going to use it again. In the Ways and Means Committee room they went snooping around, instructing their clerks to find out the salaries being paid to men appearing before the committee. This is a fine way to treat people appearing, and it is a splendid way to induce witnesses not to appear. If this sort of procedure keeps up, the only way we will ever get any witnesses will be by subpena; they will not come voluntarily if this is the way they are to be treated by what is supposed to be one of the leading committees. Humph! [Laughter.]

It was apparent from the beginning that the majority had made up their minds to draft a bill along the lines of the President's suggestions; so there was no use for anyone to waste his time by appearing.

What effect does this bill have on the "breathing spell" we were told about? Well, good heavens! The taxpayers of the country will be all out of breath before there ever comes any breathing spell. That is about as near as we can depend on any promise coming from the other end of Pennsylvania Avenue. Breathing spell! Why, I would rather run up Capitol Hill and expect to have any breath left than to believe the business people of the country will have any breath left under the "breathing spell" that is being pushed on them.

We were told today that this bill is not sufficient, that we will have another measure next year. Thank God, though, it will be under Republican guidance. [Applause and laughter.]

Now, let us give a little further consideration to this matter of the preparation of the bill. We are asked to talk on the bill; yes. In the first place you cannot talk on its merits, it has not got any; and its demerits are so many that 8 hours of debate on this side is not sufficient time in which to begin to touch them. Let us, therefore, vary the program just a little. Two hundred and thirty-six pages!

Mr. VINSON of Kentucky. That is pretty close.

Mr. TREADWAY. I am mistaken; 249 pages. I am modest. I beg the gentleman's pardon. I am sorry I did not make it large enough. I will make it larger if it will help the gentleman any. This was available to the membership of this House 48 hours ago; still you gentlemen will be asked next week to cast your vote in behalf of your constituents with your honest judgment backing a study you are supposed to have made of this complicated measure.

Simplicity! Well, look over any page and any italics there and see how simple it is. Look at these schedules and tables and see how easy it is going to be for the experienced tax-expert lawyer to collect mighty heavy fees for keeping you men out of jail when you present your income-tax reports.

The CHAIRMAN. The gentleman from Massachusetts has consumed 20 minutes.

Mr. TREADWAY. Mr. Chairman, I yield myself 10 additional minutes.

Mr. Chairman, it is the most complicated language which was ever presented to this House on a most complicated subject. Now, that statement stands. I shall be glad to take off my hat to any Democrat, and I will include my colleagues on the Republican side, who can stand on this floor and explain how you are going to make up your income-tax return when this bill goes into effect.

Let us, however, go back a little. We received from the President of the United States a message on March 3. The Subcommittee on Taxation of the Ways and Means Committee at once started to study the President's recommendation. The recommendation is in the RECORD before you, suggestions only, even going so far as to say "I would not venture to tell you wise legislators how to write a tax bill covering my views." That is what the President told us, and the reason no bill was prepared was the inexperienced and impractical theorists who suggested the plan to the President were not able to write it themselves. That is the reason no bill has been before you gentlemen. The very theorists who suggested this complicated bill could not put it into language. They had to come up here and get Mr. Beaman to write it for them. I am glad we have such a man able to carry on this task, but he has grown old in the last two weeks trying to put together any kind of language that would fit into the suggestions offered by the President on March 3.

We have criticized the White House and the theorists who assisted the White House for submitting ready-prepared measures in the past. They have not done so in this case purely on account of total lack of knowledge. They recognized that they could not draft this measure, and they knew but one man in the country who could do it and he was up here. So the President dumped these ideas into the lap of Congress and said, "We have the thought. You work it out."

Well, that is very kind of him and his theoretical professors or professional assistants, but it does not get us anywhere so far as legislation is concerned.

The system has never been tried in this country in the past. Similar suggestions have been made for the past 20 years, but never put into effect. It is more drastic and revolutionary than any system heretofore proposed. There is no precedent to go by, which makes the more difficult the drafting of a measure.

The subcommittee sat with the Treasury experts to study the plan outlined. I say "Treasury experts." I am passing out a very large boquet when I call them experts. Who are they? First, there is Professor Oliphant, to whom I referred previously. But I should like to quote from a statement that appears in the record. This occurred in a colloquy between Professor Oliphant and myself and shows just what kind of expert he is:

Mr. TREADWAY. You say as a private lawyer you have not had very much experience in the administration of tax laws?
Mr. OLIPHANT. That is right.
Mr. TREADWAY. But as a professor you have had a good deal?
Mr. OLIPHANT. Yes; I have worked on tax problems a good deal.
Mr. TREADWAY. In order to disseminate your knowledge to the students in your classes?
Mr. OLIPHANT. That is right.

Then I asked Professor Oliphant to furnish the committee with a memorandum covering the constitutionality of the windfall and corporation taxes. This colloquy will be found on page 622 of the hearings. He said:

Yes; I shall be glad to submit a memorandum on that.

It will be noted that no memorandum is inserted in the hearings, nor has any been submitted since the hearings, so far as I know.

Mr. Chairman, I think there is a mighty good reason for the absence of that memorandum on the constitutionality of this act. Neither he nor any of his assistants in the Treasury Department are able to prepare such a statement.

You would think that if the proponents had carried out the whole theory of the thing they would have at least studied its constitutionality before submitting the plan to the President to put into a message to Congress.

The colloquy referred to between Mr. Oliphant and myself occurred on April 6, and with all the white-collared, high-salaried attorneys that the Government seems to be employing nowadays, I think if there was any opportunity or any kind of excuse that could be made to call this constitutional they would have submitted it by this time. At any rate, Professor Oliphant did not keep his word when he promised to submit the memorandum.

One of our chief aides was the general counsel for the Bureau of Internal Revenue, Professor Kent. I had a somewhat similar interview with him. He admitted he was a high-grade college professor out in Chicago. The amount of his court experience was evidently a cipher. He never told us.

Our economist was another professor, Professor Haas.

The best witness we had was one of our former colleagues, the Commissioner of Internal Revenue, Mr. Helvering. I sometimes think it is well worth having served in Congress, because once in a while even the Democrats pick up a good ex-Congressman to put into a job because he belongs to their party, not because of his knowledge of tax matters. That is not expected.

Then we had a very skillful statistician, Mr. McLeod. If you asked him a question about his statistical figures or his maps, or anything else, he stated he had not looked up that particular point. His stock answer right along was that he had not looked into that detail. So far as what he prepared was concerned, if he understood it, that was more than the rest of the members did.

On top of that, of course, there is nothing back of his figures. There was absolutely no evidence submitted to the committee that his figures were in any way accurate. That completes the list of experts. Nevertheless, the Democrats went ahead under instructions and carried out the wishes of the administration.

After this hearing was closed the Democratic members had secret executive sessions, to which the Republican members were not invited and from which we were excluded. There has been something said—and I want to correct the statement—about the subcommittee having hearings and preparing this bill. The subcommittee consisted of four Democrats and three Republicans. The services of the three Republicans were not needed, so that statement ought to be "the Democratic members of the subcommittee" and not the subcommittee. We do not vouch for this bill one particle. Anything in italics in that print has the unanimous condemnation of the Republican members of the Ways and Means Committee.

Further than that, I want to criticize most severely the members of my committee, as much as I respect them, for the way in which they tried to bulldoze every witness that did not agree with them. No wonder we have a basketful of letters from people refusing to come to the hearings. There are respectable, high-grade businessmen who oppose this bill, but they will not attend a hearing and stand for this type of ridicule and the kind of inquiries that were poked at the various witnesses by the star interrogator of the committee, the gentleman from Kentucky [Mr. VINSON].

Mr. Chairman, my remarks today have been confined entirely to the method of preparation of this bill. At a later time during the debate I shall discuss the demerits of the bill itself, including its application and effect.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, when the President's message first came out requesting additional revenue, those of us who represent dairy districts met and consulted in order to see if there might not be some method by which we could protect the dairy interests of this country.

The executive committee of the dairy group, of which I happen to be chairman, after several discussions, passed a unanimous resolution that an effort should be made to place excise taxes on oleomargarine and on foreign fats and oils in this measure in order to protect the dairy farmers of the United States.

In accordance with this resolution I presented a request in writing to Mr. DOUGHTON, as chairman of the Ways and Means Committee. I shall not read this communication, but I ask unanimous consent, Mr. Chairman, to place it in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The letter referred to follows:

MARCH 30, 1936.

Hon. ROBERT DOUGHTON,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR MR. DOUGHTON: At a meeting of the executive committee of the dairy group, comprising members of every political party represented in the House, it was voted that I should make certain requests in writing of your honorable committee.

On behalf of these Congressmen who have cooperated with the American Farm Bureau Federation, the National Grange, the National Cooperative Milk Producers' Federation, and the National Dairy Union, I desire to present certain requests before the Ways and Means Committee for their consideration in connection with a proposed tax bill.

The dairy farmers of this country feel that they are entitled to some consideration in this session of Congress, and the tax herein proposed would be of material benefit to dairy farmers and at the same time it would add to the revenues of the United States Government.

Dairy farmers are paying a substantial portion of the State and Federal tax burdens of this country. Oleomargarine manufacturers are paying no such tax and the tax which we propose would at least have the effect of equalizing in some degree the tax burden of this country as between dairy farmers and oleomargarine manufacturers.

(1) We desire to have incorporated into the tax bill a section which will levy a tax of 5 cents per pound on all oleomargarine manufactured in the United States wholly from domestic fats and oils and a tax of 7½ cents per pound on all oleomargarine manufactured in the United States in which any foreign ingredients are used. These taxes are to be in addition to all existing taxes on oleomargarine.

(2) We further request the imposition of a 4½-cent import tax (a) on perilla oil, tung oil, hempseed oil, and olive oil (sulphured and inedible). We request these taxes because these oils are in competition with American fats and oils, and the 4½-cent rate will make these oils pay the same import tax that is now levied on linseed oil. There should also be an equivalent rate of duty placed on these seeds and nuts from which these oils are extracted.

(3) In the Revenue Act of 1934 an excise tax of 3 cents per pound was placed upon the first domestic processing of coconut oil, palm oil, palm-kernel oil, sunflower oil, and sesame oil, with an additional 2 cents per pound on all coconut oil which does not come from the Philippines. We request that the tax on these fats and oils be increased to 5 cents per pound, and that there be added to this list kapok oil, babassu oil, and cohune oil. These last three oils are competitive with the oils already covered by taxes and they should be covered the same way as the oils in the 1934 act. All of these oils are directly competitive with domestic oils and fats, and despite the 3-cent tax imposed by the Revenue Act of 1934 imports of these oils continue to pour into this country at an alarming rate, thereby depriving the American farmer of a substantial market for his fats and oils.

The reciprocal-trade agreement with the Netherlands has bound the processing tax on palm oil at 3 cents per pound for the life of the agreement, and the reciprocal-trade agreement with Brazil not only binds babassu oil and nuts on the free list but also agrees that Congress will not impose any internal tax on this oil. In addition, the State Department has made substantial reductions in the tariff structure on dairy products, particularly on various types of cheese produced in this country. The dairy farmers of this country and representatives from dairy States are entirely out of sympathy with the activities of the State Department in carrying out the reciprocal-trade-agreement law.

In the light of the above actions on the part of the State Department we further request, on behalf of the dairy farmers of this country, that there be included in the proposed tax bill a section repealing immediately the Reciprocal Trade Agreement Act of 1934.

We would appreciate your committee designating a time during the hearings on the tax bill when we may appear and give testimony on the various items covered in this letter, so that your

committee may be fully advised on the present needs of American dairy farmers and of the economic principles behind the requests for legislation contained in this letter.

Very truly yours,

HARRY SAUTHOFF,
As Chairman of the Executive Committee.

Mr. SAUTHOFF. Briefly stated, this communication requests that an additional tax of 5 cents a pound be placed on oleomargarine manufactured from domestic fats and oils and a 7½-cent additional tax be placed on all oleomargarine manufactured from foreign fats and oils.

The committee ruled that any discussion on such a proposal was not germane to this particular measure, because it dealt with excise taxes, and no such provision was contained in the bill.

It is our hope now, and we are studying the matter carefully, to see if there is some method we can devise by which this bill may be amended so as to include such protection for our dairy farmers.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. SAUTHOFF. I yield.

Mr. TREADWAY. Will the gentleman be kind enough to state what the vote in the committee was and what motion was made as a substitute?

Mr. SAUTHOFF. Well, I do not want to be involved in a dispute between the Democratic and Republican Parties, not being a member of either of those parties, but the motion was made by Mr. TREADWAY that we be given an opportunity to be heard on this subject. The motion was voted down, the Democratic members voting against the motion and the Republican members voting for it.

Now, what is the situation in regard to foreign fats and oils at the present time? There are various foreign fats and oils that are making heavy inroads on the dairy industry, particularly in the manufacture of butter. There are other oils also which are invading other fields of agriculture. Perilla oil, tung oil, hempseed oil, and olive oil—sulphured and inedible—are quick-drying oils, most of which are generally used in the paint trade, but they compete in the American market with linseed oil, which is produced from American-grown flaxseed.

There is a tariff of 4½ cents on linseed oil, and in order to protect the domestic flax farmer against the rising flood of these paint oils, as well as giving the American fisherman protection against such oils, because fish oils are likewise used in the paint trade, an excise tax of 4½ cents should be put on perilla, tung, hempseed, and olive oil. There should also be an equivalent rate of duty placed on the seeds and nuts from which these oils are extracted.

During the year 1935 the following amounts of these oils were imported into the United States:

Perilla oil, 72,328,000 pounds in 1935, as against 25,164,000 in 1934, an increase of nearly 200 percent.

Tung oil, 120,059,000 pounds in 1935, as against 110,000,000 pounds in 1934.

Hempseed, from which hempseed oil is extracted, 12,443,131 pounds, a slight decrease from 1934 with 12,981,949 pounds.

Olive oil—inedible—19,743,452 pounds in 1935, as against 9,670,342 pounds in 1934.

Olive oil—sulphured—33,797,218 pounds, a slight decrease from 36,165,879 pounds imported in 1934.

Insofar as the tax on the oils used in oleomargarine and in soap making is concerned, we now have an excise tax of 3 cents a pound on coconut, palm, palm-kernel, sunflower, and sesame oil, with an additional 2 cents per pound on all coconut oil which does not come from the Philippines. There is also a 3-cent tariff on cottonseed oil.

This tax has increased prices received by American producers of fats and oils by at least $100,000,000. The excise tax, however, has not acted as an embargo, as indicated by the following imports of these oils in 1935, which has particularly affected the dairy farmer adversely:

Cottonseed oil: 166,687,000 pounds were imported in 1935, as against an almost negligible quantity in 1934.

Three hundred and fifty-three million three hundred and ninety-six thousand pounds of coconut oil, which was imported as oil and does not include copra, were imported in 1935, as against 314,802,000 pounds in 1934.

Copra imported in 1935 amounted to 454,134,000 pounds, which yielded 286,104,000 pounds of coconut oil.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. SAUTHOFF. Pardon me; I want to finish this statement and I have only a few minutes.

Two hundred and ninety-six million five hundred and two thousand pounds of palm oil were imported into the United States in 1935, as against 155,531,000 pounds imported in 1934.

[Here the gavel fell.]

Mr. BACHARACH. I yield to the gentleman 2 minutes more.

Mr. SAUTHOFF. Kapok oil, which competes with these other oils, and upon which the 3-cent tax is not imposed, accounted for imports in the form of seed of 12,655,000 pounds in 1935; babassu oil, which has just recently come into use in the oleomargarine field as a substitute for coconut oil and is imported duty free from Brazil, cannot be accurately given because it comes in the form of seed and is not separately classified by the Department of Commerce. The oleomargarine manufacturers began to use it, however, in October 1935, and in the 3 months of October, November, and December they used 1,838,000 pounds of this oil.

We feel that the tax on the paint oils, as has heretofore been stated, should all be fixed at 4½ cents per pound, in order to be compensatory with the present rate on linseed oil.

We feel that the tax on other oils used in oleomargarine and soap making should be placed at 5 cents per pound.

Since the agreement with the Netherlands has bound the processing tax on palm oil at 3 cents per pound, the tax should be placed at 5 cents and should be made effective as soon as the agreement with the Netherlands is terminated, because if a tax of 5 cents were placed on the other oils and palm oil was bound at 3 cents, it would simply mean a shift from the consumption of all other oils over to palm oil. The tax on babassu oil should be placed at 5 cents per pound, to take effect as soon as the reciprocal agreement with Brazil is terminated. Babassu oil comes from the nut of a tree. [Applause.]

It is estimated that there are at least 1,500,000,000 trees of nut-bearing age now available, and no doubt far greater numbers of these trees farther inland, to which roads have not yet been built. This nut yields 63 percent oil and is admitted duty-free.

Babassu oil is quoted at 6⅞ cents per pound at New York, and is three-eighths of a cent less, when processed, than coconut oil. Cohune oil is now coming in from Central America. It is made from the palm nut and is very cheap and comes into this country duty-free.

TOTAL OILS

The total amount of oil, both animal and vegetable, in this country in 1935, derived from all sources, was 10,274,000,000 pounds; the total consumption during the same year was 8,073,000,000 pounds, which leaves a surplus of over 2,000,000,000 pounds as a threat to menace the price structure of American butter. This oil carry-over can break the butter market any time that it is released in any quantity, and serves the oleomargarine interests in good stead.

DAIRY TAXES

A survey of New York State, which has just been completed, discloses that the dairy farmer of that State pays a tax of 6½ cents per pound on every pound of butterfat that he produces, which means a tax of 5.2 cents per pound on every pound of butter that the New York dairy farmer produces. No doubt the dairy farmer in my State of Wisconsin pays a similar tax. And yet, in spite of this contribution to the support and welfare of our Nation, our dairy farmers must face the competition of oleomargarine and other butter substitutes made from cheap oils brought in from foreign countries with only a slight tariff or perhaps none at all. How can this treatment of our dairy farmer be justified?

WISCONSIN'S LOSS

I have heard it said on the floor of this House that we are not suffering, but I want to point out to you what has already happened in Wisconsin. When the Canadian reciprocal-trade agreement went into effect the price of Wisconsin cheese dropped 2 cents per pound. That was on January 1, 1936, the very day that this treaty went into effect. Since that day it has dropped another cent per pound, making a total loss to the Wisconsin dairy farmer of 3 cents per pound since the first day of this year. In money it means a loss of $9,000,000, in round figures. Only this morning I read an editorial in the Wisconsin State Journal, a daily newspaper published in my home city of Madison, which paper has been waging an earnest and consistent fight for our dairy farmers, pointing out the drop in butter. I quote:

BUTTER NOW SLUMPS

Slumping in the price of butter is a cause of alarm to the dairy farmers of Wisconsin.

A fall of 4 cents in the price of butter since last week means a large loss to the milk producers of this State. Cheese prices are already low, and a dropping in the butter prices also cannot but have an eventual effect on the fluid-milk market.

Milk is Wisconsin's largest industry, and it behooves Wisconsin officials, not only Federal but State, to do all in their power to reestablish better prices for the farmers, whose milk is being sold in the butter and cheese market.

OUR PROPOSAL

It is the proposal of the dairy group in the House, whom I have the honor to represent, to protect the dairy farmer with additional tariffs on these cheap oils. We propose to raise the tax on oleomargarine 5 cents per pound, and we also propose to raise the tariff on foreign fats and oils 7½ cents per pound, which will make a total of 10½ cents per pound. We firmly believe that the home markets should be preserved for our farmers.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. FARLEY].

Mr. FARLEY. Mr. Chairman and Members of the Committee, we have been hearing some criticisms from the minority side of the House—that when this tax bill becomes a law business will be suspended throughout the country.

As a matter of truth the opposite is the fact. I have just returned from a highly developed industrial district, and I found that every branch of business is forging ahead in a way that it has not done for many years. They are experiencing the difficulty in obtaining the skilled workmen that they will need in the industry.

Taxes, to be sure, are not popular. They never have been from the beginning of time.

What information I have of this tax bill, I think we are to be complimented in having a group of men that can bring in such a measure. I am certain in the future the members of the committee, including those opposed to it now, will be happy that they had a part in the Revenue Act of 1936.

Mr. Chairman, I ask unanimous consent to revise and extend my remarks and include therein an address I made in my home town of Auburn, Ind., on the 20th of this month.

The CHAIRMAN. Without objection, it is so ordered.

The address referred to is as follows:

Again I come before the people of the Fourth Congressional District to render an account of my stewardship as your Representative in the National Congress. The framers of our Constitution were wise in that the Representatives of the people in that lawmaking body should have to give an accounting of their acts every 2 years. In so doing, it will never be necessary in this land of the Stars and Stripes to resort to a change of government by force, as on any of the even years by the ballot box in a peaceable and intelligent manner the whole form can be changed. It is this question that I want to talk to you about.

We but have to look back to March 1933 when industry was paralyzed, multitudes were out of employment, and panic stricken, not knowing where their next meal was coming from, nor whether the morrow would bring the sheriff with eviction papers that would throw them out of their homes, and the breadwinner, together with his wife and children, would have to seek shelter and food from some charitable organization. Then in this awful crisis a leader arose, who by the help of a friendly Congress would lead the people of the United States from that panic-stricken wilderness of hunger, unemployment, and despair, back to the land promised by and purchased with the blood of our forefathers, to a state of certainty, employment, and happiness.

It was on this platform, with that great leader Franklin D. Roosevelt, that I was elected to the Congress of the United States in November 1932.

When I assumed the new duties as your Representative in Congress, I took seriously this pledge of cooperating in every detail to fulfill that promise and obligation. When the strong opposition press and cunning agents of special interest beckoned astray and took me to the mountaintops showing the rich valleys below if I would forsake the humanitarian principles of our President and serve them, I stood fast to my obligations and promise to my people to do everything within my power to bring back peace of mind and prosperity to our country. If you defeat me because of this, I shall leave to my children the heritage and name that I kept the faith.

It is true that the last 4 years have been most strenuous upon our President and Members of Congress; and having been carried into the torture chambers of the situation as it existed, we the Members of this Congress have had very little time to play politics, if we were to carry through the program that was necessary to reestablish confidence and happiness in America.

This was no easy job, as there were hundreds of plans submitted and it took hours and hours of deliberation to take from the plans that which was best and discard that which was not, to arrive at a plan for the general welfare of all the people of this country. After having arrived at a solution of this situation the battle had just begun as those who had gained most and profited the greatest through the sufferings and misery of the people during this depression, having grown wealthy on selling America short, were actively opposed to any measure of recovery, and immediately vast sums of money were used by that crowd to scatter propaganda to resist this program. You have but to read the CONGRESSIONAL RECORD to find that each and every recovery measure placed on the statute books of America was only placed there after a hard fight and after many long hours of debate and against the paid lobbyists of the depression profiteers actively against our forces. As time passes I shall have the peace and satisfaction of mind that I did not yield to the profiteers of misery, but gave the best I had in me, not only my vote but my heartiest support to those measures which would bring us back to that peace and state of mind that are so necessary to make us useful American citizens, and that the spirit of 1776 would again reign.

Even though you should see fit to transplant me with a record of sustaining those things and sacrifice me with a record of certainly by past performance for one untried and whose record in legislative matters is unknown, I today have the satisfaction of seeing those measures bear fruit. As I travel between Washington and home, it is with a great deal of pleasure that I feel I had a part in helping clean the cobwebs and bat nests from the smokestacks of industry, that again those furnaces and industrial plants which were laying in rust and idleness, are today belching forth smoke, that the rust of the machinery has been cleared away, and that willing hands are again employed and earning a living rather than suffering the embarrassment of daily begging their bread and shelter from some relief agency.

The task is not yet done. There is still a large army out of employment, and the work must be carried on. Those experiments which have been bad must be discarded, and other things done so that eventually we will be back to where depression and unemployment will be history.

You trusted me to begin this job, and I have conscientiously and faithfully given and devoted my entire time to the recovery measures which our President thought best to bring about recovery. I want to return to Congress and have a part in finishing the job, and inasmuch as I have kept the faith, and know the struggles of the American people and its problems from the beginning down to the present time, I do not believe you will forsake me. I do not believe, after the 4 years of education that I have received in congressional matters, and after 4 years of studying these problems, that the Fourth District will want to be represented by one unfamiliar with them, and one who, however earnest his intent may be at the present time, after a study of the situation might not be in accord with the programs inaugurated, and one who may fall a prey to the smooth-tongued lobbyists and the fiendish, pernicious propaganda circulated against the recovery measures.

I was able to withstand all of these temptations and was able to ignore the signposts at every cross road intended to lead us from the straight road. I will continue on that road, and the shining face and honest heart of Franklin D. Roosevelt shall be my guide, shall follow him in his recovery measures through to a complete success.

If you do not want the President sustained, but want to give him a Congress that will not follow his leadership, then you had better defeat me; but if you want one who has continually followed and will not upset the order of recovery, I ask that you return me to the Congress of the United States.

The early years of my life were given to build myself up in the business world and to the rearing of a family of five children, of whom I am very proud, with the hope always in mind that as I grew older I could devote the remaining years of my life to the services of the people and to my country.

Possibly I have made many mistakes with reference to the petty politics of the office, but I do not understand that I was elected for such purpose, and felt it would not be necessary to devote time to the petty politics of this office. Knowing the intelligence of the people of the Fourth District as I do, thought you wanted efficiency in office, a thorough study of Government, and a right

to vote on economic measures, and felt that if I devoted my time to this my people would be satisfied. I had rather be defeated attempting to do this than be returned to office by forsaking my obligations.

When Mr. Roosevelt was a candidate and nominated, and was later elected, it could not have been foreseen that the administration would be compelled to take the burden which was unloaded on it after he assumed office.

Local governments, including States, counties, cities, and regularly organized charitable institutions, had exhausted their resources. The load was heavier than ever before. Unusual means had to be taken to relieve this distressed situation. Many good and outstanding measures have been passed leading to this end.

When Franklin D. Roosevelt assumed office, nearly a million homes were on the verge of foreclosure. The Home Owners' Loan Corporation was organized and this distressed situation greatly relieved. This touched the modest home owner and saved the shelter for himself and family. Building trades and heavy industries, producing what are known as durable goods, were at a low ebb.

The Federal Housing Administration set up at the request of the President has greatly relieved that situation.

The commercial credit of America had nearly dried up when he took the oath of office. The Reconstruction Finance Corporation functions were enlarged to include almost all corporate enterprises, public and private, and since its organization up to and including December 31, 1935, this agency has distributed more than $10,000,000,000 for relief of American industry. One billion two hundred million were loans on farm products. There has been no more valuable and inspiring activity on the part of this administration than the work of these organizations.

From the start of this administration the outstanding attempt has been to improve general business conditions. Notwithstanding opposition statements that we are enemies of business, the opposite has been the rule and fact. As evidence witness the extension of the Reconstruction Finance Corporation authority, the Banking Acts of 1933 and 1935, the Home Owners' Loan Act, federal housing, and kindred measures. I have had a part in them, cooperated with the committee and with the Congress.

It is on my record as a Congressman and my promise of continued support of the policies of President Roosevelt and his administration that I ask for renomination to carry the banner for Democracy in this district in the fall election of 1936.

Mr. BACHARACH. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD and to include therein two tables that I have prepared myself.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. TABER. Mr. Chairman, it is alleged that the bill before us will produce in taxes $630,000,000. No one is cognizant more than I of the necessity that this Government shall balance its Budget, but when we have had an opportunity to cut down on our expenses, and have failed to do so, I can see absolutely no jurisdiction and no excuse for a tax bill? I shall not myself be in the position of imposing additional taxes on the people when the Congress of the United States has not done its duty in cutting down expenditures. If I had the time, I should like to go into the merits of the taxes that are proposed to be carried in the bill, but I am going to leave that to others who have had more opportunity to study the bill itself. I shall develop my case along the line of the proposition that I first declared.

What is the situation with reference to appropriations that we have made in this Congress? When we came here, after about a week, the President of the United States set before us his Budget estimate calling for appropriations, including $1,000,000,000 for relief, which he said was a proximate figure, and which he said he would send up later, amounting to $6,649,000,000. It was the President's estimate that the expenditures for the next fiscal year would run approximately $7,752,000,000, including a little over $2,000,000,000 already appropriated and in his hands and available for expenditures for relief. What is the situation that we have before us at the moment? I have here a table for appropriations for the Seventy-fourth Congress, second session, and it is this. I shall not read the thousands and hundreds of dollars, because I shall put them in the table:

Independent offices appropriation bill, including reappropriations, $2,334,000,000.

Mr. WOODRUM. Mr. Chairman, will the gentleman yield at that point?

Mr. TABER. I shall yield when I have finished the table.

Supplemental deficiency, $368,000,000.

Legislative appropriation bill, $23,000,000; Agriculture, as it passed the House, $165,000,000; District of Columbia, as it passed the House, $42,000,000; Interior, as it passed the House, $81,000,000; State, Justice, Commerce, and Labor, as it passed the House, $115,000,000; Treasury-Post Office Departments, as it passed the House, $989,000,000; War, as it passed the House, $545,000,000; Navy, according to the Budget estimate—the bill has not yet been reported by the Committee on Appropriations—$549,000,000; deficiency, according to estimates that have been submitted by the Budget—that is, by the President through the Budget—$2,500,000,000; a total of $8,315,000,000. I figure that the least we can expect is we will probably have to surrender about one-half of the Senate's proposed increases. One-half will be about as follows: Agriculture, $16,000,000; Interior, $31,000,000; War, $33,000,000; with several items which I have not been able to go into in the State, Justice, Commerce, and Labor, prospective with reference to these and a number of others, making a total of $8,395,000,000. I imagine that the gentleman from Virginia [Mr. WOODRUM] was going to ask me a question with reference to the independent offices appropriation bill, and I imagine that his question was going to be whether there was not included within that something over $1,300,000,000 for the veterans' bonus—I have forgotten the exact amount.

Mr. BIERMANN. One billion seven hundred and thirty million dollars.

Mr. TABER. That was not the figure in the bill. That might have been the estimate. I do not think the figure was as large as that. Then there was $440,000,000 for soil conservation. It is true those items were not in the bill as it came out of the House, but they were required as a result of votes and Budget estimates sent here by the President. That means that with the appropriations that are in sight and probably will be a burden on the taxpayers, $8,395,000,000 as against the Budget estimates of $6,649,000,000, according to the original Budget. Every one of these items that are here practically has a Budget estimate at the present time. That means $1,750,000,000 more than the President's original idea when the Congress convened. You can see the way we have progressed, and you can see what a mere bagatelle $630,000,000 estimated to be raised by the present tax bill is toward meeting $1,750,000,000. It does not get anywhere, it does not get to first base.

The table in detail to which I have referred is as follows:

Appropriations Seventy-fourth Congress, second session

Independent offices	$2,889,751,905.00
Independent offices—reappropriations	45,000,000.00
Supplemental deficiency	368,234,514.10
Legislative	23,314,428.00
Agriculture	165,873,147.00
District of Columbia	42,573,283.00
Interior	81,221,330.05
State, Justice, Commerce, and Labor	115,012,400.00
Treasury-Post Office	989,673,829.00
War	545,226,318.00
Navy (Budget estimates, as bill is not yet reported)	549,591,299.00
Deficiency (Budget estimates, as bill is not yet reported	2,500,000,000.00
Subtotal	8,315,472,453.15
Plus one-half the Senate increases:	
Agriculture	16,000,000.00
Interior	31,000,000.00
War	33,000,000.00
Total	8,395,472,453.15

Many of the items in the above unquestionably could have been saved if this Congress had been as alert as it should have been. Take the fake soil-conservation bill, designed to force people in other parts of the country into the dairying business and put out of business those dairying farmers in the North and East who have been trying to earn a living through all this depression without any Federal aid. That amounts to $440,000,000. We could have saved that, and nobody would have been hurt, but the whole country would have been benefited. I believe that the independent offices appropriation bill, with the Federal Trade Commission, the Securities Exchange Commission, and the Labor Board, could have been cut down, together with a whole lot of other activities which

are absolutely beyond all reason and which are more destructive than constructive, because their overhead is so tremendous that it destroys the very purpose for which they were created. They are spending, many of them, double and treble what similar activities ever spent before. Three million dollars would be a very conservative saving out of that group. That would be $443,735,000 on that bill.

In the Interior Department bill there is the Guffey Coal Commission, $240,000, an unjustified increase for the Department's operation during the fiscal year 1937, an increase over the fiscal year of 1936 of $4,179,000, absolutely ridiculous and indefensible.

There are Senate increases which you are going to be called upon to vote for or against, amounting to $62,000,000 for reclamation projects, to increase the productivity of the soil, at the same time when our Department of Agriculture is paying farmers for keeping land out of production. Have you ever heard of such a ridiculous and such a silly operation?

In the Department of Agriculture bill we could save at least $10,000,000 by cutting down on some of these tremendous increases for many of these projects which do not have any merit at all.

In the War Department bill we could save $90,000,000 by reducing the river and harbor item from $150,000,000 as it is in the bill as it passed the Senate, down to $60,000,000, which was the normal amount for that bill to carry in the days when I served on that War Department appropriation bill a few years ago. That is plenty of money for the development of legitimate harbor activities. It is not money to go ahead with the development of rivers which cannot be made navigable or the development of other things that the country does not need, but it is plenty to keep the rivers and harbors in decent shape.

On the War Department bill I do not believe we have any business considering an increase in the Army beyond the figure at which it passed the House. We do not even have respectable housing to put those men in. It is absolutely ridiculous, to my mind, to increase the Army and not have any place to put them and have to put them in tents all over the country. Then, down at the War Department they have a departmental overhead that I believe can be cut $10,000,000 without injuring a single efficient operation of the Government. That makes $125,000,000 that can be saved in that bill. That alone is 25 percent of this tax bill.

In the State, Justice, Commerce, and Labor Departments bill we could get rid of a lot of activities. Among other things, we could get rid of the International Boundary Commission performance, costing $2,800,000. We could get rid of other unnecessary departmental expense and could easily save $4,900,000.

The Treasury Department appropriation bill has been built up and loaded up until it is tremendously top-heavy. At the present time there are upward of 400 lawyers down in the Treasury Department, many of whom never tried a case—let me go a little further—most of whom never tried a case. They are performing other functions and receiving a lawyer's pay. We could save $15,000,000 without turning a hair in that Department.

In the Navy Department, if we could reduce the top-heavy departmental expense and the navy-yard waste, we could save at least $15,000,000. Then we have these W. P. A. estimates and C. C. C. estimates. I believe we could save, and be very conservative in our saving, $550,000,000 on those things.

Now, if the Congress wants this country to recover it is not going to go on with this sort of thing and put a tremendous tax on the people without any possibility of recovery coming. Recovery cannot come that way. If an honest attempt were being made to cut down expenditures, to stop this foolish demoralizing of our people through such operations as the W. P. A. teaching men, instead of their usual customary habits of work, supporting themselves on their shovels, a lot of foolish and childish things, we would be pointing in some way toward recovery. Nothing in the world has been so demoralizing as the way in which these funds that we have turned over to the President without let or hindrance as to his allotment have been expended. Nothing in the world has been so demoralizing to our people, has done so much to prevent recovery, to prevent there being available sufficient skilled personnel to man the factories when they get started as that sort of thing. If people are going to work in factories, if they are going to learn to be skilled, if they are going to learn to be efficient—and that is the way folks always have succeeded in the past in America—they must be taught habits of thrift and of industry and not the demoralizing, destructive propositions such as this so-called made work.

It would be an easy job to cut off from these tremendous appropriations $1,230,000,000.

Under my leave to extend my remarks, Mr. Chairman, I am going to insert that table in the RECORD.

(The table referred to is as follows:)

	APRIL 20, 1936.
Independent offices:	
Fake soil conservation	$440,000,000
Labor Board	735,000
Unnecessary departmental expenses	3,000,000
	443,735,000
Interior bill:	
Guffey coal	240,000
Unjustified increases	4,179,000
Senate increases	62,000,000
	66,419,000
Agriculture bill:	
Forest	1,000,000
Agricultural extension work	4,000,000
Save one-half increase on account useless departmental increase	5,000,000
	10,000,000
War bill:	
Rivers and harbors, reduce to normal (was $60,000,000)	90,000,000
Could reduce $25,000,000 on military	25,000,000
Useless departmental expense	10,000,000
	125,000,000
State, Justice, Commerce, and Labor:	
Coast and Geodetic Survey	100,000
International Boundary Commission	2,800,000
Reduce unnecessary departmental expense	2,000,000
	4,900,000
Treasury: Reduce unnecessary top-heavy overhead	15,000,000
Navy: Reduce top-heavy departmental expenses and navy-yard waste	15,000,000
Deficiency bills:	
C. C. C. camps	50,000,000
W. P. A. estimates	500,000,000
	550,000,000
Total	1,230,054,000

Mr. TABER. It is absolutely ridiculous, when we have gone entirely out of control in passing appropriations, to come here with a tax bill providing for $630,000,000. I do not see how we can keep faith with the country, with the taxpayers, or with the workingmen who want to be restored to the jobs they had before, where an ordinary laborer was getting from $20 to $25 a week with steady work, instead of continuing on the dole or at made work at from $10 or $11 to $13 a week, as at present, unless we stop this extravagant spending. The workingman is not the man that the fellow back of this tax bill says he is shooting at, but the workingman is the man who is going to be hit. That is where the bullet is aimed. I, for one, do not propose to join in what I believe to be the passage of an unsound tax bill, which is bad for the whole country, and at the same time refuse to honestly cut down the ridiculous expenditures of the Federal Government. [Applause.]

The CHAIRMAN. The time of the gentleman from New York [Mr. TABER] has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Alabama [Mr. BANKHEAD].

Mr. BANKHEAD. Mr. Chairman, we are, of course, indebted to the gentleman from New York who has just taken his seat for his illumination of the pending tax bill, which he barely mentioned. We are also indebted to the gentleman from Massachusetts for his remarks. He made a statement to which I desire to make brief reply, not in my own language but in the language of one of the high priests in the Sanhedrin of the elect of this country, the president of the United States Chamber of Commerce.

The gentleman from New York says we will never get out of this depression and that there is no way to make any advance or take any steps toward recovery under the present regime and under the present program of this administration.

This same United States Chamber of Commerce was not only the chief critic of the provisions of this bill before the committee but through its wide membership and fine publicity arrangements has been the chief antagonist of the whole program of the New Deal. Now, what does this same Mr. Sibley, the president of the United States Chamber of Commerce, say within the last 24 hours with reference to our progress and recovery? Here is what he says in an interview, or statement, given out for this morning's paper—and particularly I want the attention of the gentleman from New York and the gentleman from Massachusetts. This is not my language, this is not the language of the advocate of the New Deal who is standing here in a humble capacity undertaking to represent its interests; this is a deliberate observation and statement of the president of the United States Chamber of Commerce. Without objection, I will read what he says.

Mr. Sibley said he observed very definite signs of active business recovery on a series of trips through the country in behalf of the chamber. I am just wondering what character of report this same Mr. Sibley could have made if he had made an extensive tour of the country along about the 1st of January 1933 with reference to the prosperity of this country when Mr. Hoover's administration was in charge of the affairs of the Government. He said:

A year ago the iron-ore mines of Michigan and Minnesota were struggling along on a part-time basis. Now they are working day and night crews.

I am sure this is very sad news to the gentleman from Massachusetts and the gentleman from New York—working extra shifts, working at nighttime! So great is this wave of prosperity that is sweeping over the country taking us out of the morass of the depression into which we were led by 12 years of Republican rule in this country. Remember, I am quoting Mr. Sibley, the president of the United States Chamber of Commerce.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. BANKHEAD. In a moment I may yield to my very distinguished friend from Pennsylvania.

Mr. Chairman, these are Mr. Sibley's words I am quoting. He said:

That sort of thing is happening all over the country—

This double-shift business he just referred to, reemployment of laboring men.

The gentleman from New York [Mr. TABER] said that the laboring man was the man we were shooting at in this tax bill. I am wondering if those laboring men who were out of employment under the Hoover administration, men we had to take care of under our relief system, are now complaining that under the progress of the recovery of this administration they have back not only their day jobs but also their night jobs in Minnesota, Michigan, and all over the country?

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 additional minutes to the gentleman from Alabama.

Mr. BANKHEAD. "Particularly encouraging," says Mr. Sibley, the president of the United States Chamber of Commerce—

Is the fact that there has been a very definite comeback in the industries which were operating on the lowest basis, such as steel.

Mr. Chairman, all economists of the United States tell us there is no finer barometer of business activity and stability in this country than the production of steel and steel ingots, one of the very basic and paramount industries of the country.

America's machine-tool plants are operating at capacity today.

Not half time, not part time, but full capacity under the present Democratic administration, although we are levying a little additional tax upon those people most able to pay it to help carry on the burdens of relief and the other legitimate agencies of recovery.

Particularly is it encouraging, he says, about the steel industry in American machine plants. He stated further:

Recent developments in the field of chemistry have resulted in vast orders—

Not trifling orders, not mere bagatelles, Mr. Chairman, but vast orders. This, I am sure, is very pleasing to the business friends of the gentleman from Massachusetts—not little orders but vast orders. For what?—

Soy beans and other farm products by industry for extraction of their oils and fibers.

Not only are we helping steel, mining, and machine tools, but, says Mr. Sibley, the president of this great United States Chamber of Commerce, these benefits are extending out into the field of agriculture, and the farmers of this country are also enjoying the beneficent profits of this restored prosperity which has been brought to them under the wise leadership of a great President and with the cooperation of a fairly decent Congress. [Applause and laughter.]

Mr. RICH. Will the gentleman yield?

Mr. BANKHEAD. I shall yield to the gentleman from Pennsylvania with one proviso.

Mr. RICH. Do not make any proviso.

Mr. BANKHEAD. I may get a little more time to answer the gentleman. But I want to lay a predicate before I yield to the gentleman. He has impaled me here for several weeks by the great inquiry as to where are we going to get the money? I thought I might have in a measure answered that question by saying to him that if he and his associates would restore to the Treasury of the United States six and one-quarter billion dollars that Mr. Hoover left as a deficit when the present administration took charge of the Government, our burden would not now be so great. The gentleman has not seen fit to answer that statement.

Mr. RICH. I will answer that right now, and I would be glad to answer it.

Mr. BANKHEAD. Now I yield to the gentleman from Pennsylvania for a question.

Mr. RICH. I would be glad to answer the gentleman's question, but I will not do it now. He would not give me the time. I will do so later.

Mr. BANKHEAD. I do not think the gentleman will ever be able to answer it.

Mr. RICH. I want to ask a real pertinent question of the leader of the House of Representatives.

Mr. BANKHEAD. Does the gentleman think he can ask a pertinent question?

Mr. RICH. If I interpreted the remarks of the gentleman from New York correctly, he was more desirous of trying to cut down Government expense to the extent of $1,200,000,000, believing this would be of greater interest to the people of the country than to place a tax bill involving six or eight hundred million dollars upon the people of the United States.

Mr. BANKHEAD. I thank the gentleman for his question.

Mr. RICH. Does the majority leader think that we ought to try to keep the expenses of government down to a minimum?

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BANKHEAD. Mr. Chairman, I may say to the gentleman from Pennsylvania that my nights have been sleepless and I have suffered somewhat from what might be called a species of fiscal insomnia, trying to go along with the mind of the gentleman from Pennsylvania with reference to the

economical administration of the affairs of the Government. Now, the gentleman from Pennsylvania, I think, has at least tried to be serious in his question, and I will undertake to answer it.

Mr. RICH. I tried to ask a sensible, serious question.

Mr. BANKHEAD. And, if the gentleman will be seated, I will try to answer him.

In the first place, we ought to be thoroughly candid about the expenses of government under recent conditions. I am not going to remind the gentlemen on that side of the aisle of the burden that we had to assume when we came into power in this country. Everybody knows about that. No man who had a heart in him or the vestige of humanity in his soul would have been content to allow the great Federal Government to fail in its attempt to afford some adequate measure of relief for the destitute, the suffering, the unhappy, and the hopeless people of America when the local authorities were unable to cope with the situation. This administration, mind you, was not responsible in any way for these conditions; so, in order to meet what our party and our administration thought was a paramount and impelling duty arising from a purely humanitarian standpoint, we did provide ways and means to take care of the people. I am not one of those, I may say to my friend, who will stand on this floor and say no mistakes have been made in our relief program.

Mr. RICH. I congratulate the gentleman on that statement.

Mr. BANKHEAD. I think we ought to discuss these matters fairly and lay the cards on the table. I do not make the claim that the President of the United States is infallible in his judgment any more so than are the Members of the Congress of the United States; but we have done the very best we could under the terrifying circumstances to meet the problems bravely and possibly extravagantly.

Mr. Chairman, our hope is that when this great wave of prosperity reaches its maximum, now indicated and prophesied by the president of the United States Chamber of Commerce, that the national income will be greatly increased from revenues and other business derivatives and, therefore, the money in the United States Treasury will be greatly augmented. We further hope that perhaps some of these temporary and emergency measures have served their usefulness, and I shall advocate that as soon as possible they shall be removed from the public service; but it has been impossible, I may say to the gentleman, to escape our responsibility as the representatives of our people.

Mr. Chairman, from the standpoint of our national debt, this country is not near the danger line, although I do not advocate any further governmental indebtedness nor any more than we can get along with as a minimum. When the tax rate in this country is compared to that of England, which was published a few days ago, it will be seen that the people of America are escaping with practically no taxation as compared to the situation existing in some of the governments in Europe. Although I am not the spokesman of this administration, the policy with reference to this matter shows that the time is approaching when we will be out from under the direful and distressing situation caused by the depression, at which time we may conservatively and prudently restore the Government to a more conservative and a more economical basis. I pray to God that the time may soon come, but until it does come, as one unit in the administration now in power, I am willing to go ahead and appropriate such money and to lay such taxes, to be legitimately levied, as will meet the necessities of this hour. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 1 hour to the gentleman from Washington [Mr. SAMUEL B. HILL].

Mr. SAMUEL B. HILL. Mr. Chairman, I had assumed that the gentleman from Massachusetts [Mr. TREADWAY] would make some specific criticism of this bill that might require an answer as to the merits of the proposed legislation. You could forget all he said in his remarks and you would be in the same status as to information about the bill that you were before he spoke. He did make some remarks about the procedure, about the employment of theorists in the study and framing of the bill, but even in those statements he was largely wrong.

It has been the practice of the Ways and Means Committee as far back as I know anything of its procedure, first to get the information through study and through hearings, and then write the bill. I recall in 1932, or probably we began in December 1931, with hearings on a tax bill before the Ways and Means Committee, which was then under the control of the party now in control, so far as the House was concerned, but so far as the national administration or the executive branch was concerned, it was under the control of the party of the gentleman from Massachusetts. Mr. Ogden Mills, the then Secretary of the Treasury, came as the representative of the executive department and advised the Ways and Means Committee of the need of additional revenues. He did not bring any bill. He brought suggestions as to where we could get the money. The Ways and Means Committee, regardless of partisanship, undertook to meet the revenue requirements as outlined by the then Secretary of the Treasury. Not only did the Secretary of the Treasury not bring a bill already prepared for the Ways and Means Committee but he came back repeatedly revising his estimates and asking for more money and asking the Committee on Ways and Means to find sources of additional revenue.

In every revenue bill since that time the same procedure has been followed. I am advised that the same procedure was followed prior to that time. I recall very distinctly that in 1929 and 1930, when a tariff bill was written, hearings were had before the bill was written, and until after the hearings were completed, the Republican members of the committee, who were then in control, excluded the Democrats and sat behind closed doors and wrote that bill.

When the bill was finally completed the entire committee was called into session, the bill consisting of a volume about as large as the hearings on the present bill. They laid this volume down on the table and said to the Democratic members of the committee, "Here is the bill." The ranking member of the committee moved that it be favorably reported by the committee, and it was not even read, and no opportunity given at all for examining it. It was passed in a few minutes—a tariff bill containing schedules running the entire gamut of the import duties of the country.

I am not criticizing them for this, but simply pointing out this is the practice of the Republican Members when they are in control and it is the practice of the Democratic Members when they are in control, especially when they have been forewarned that the minority Members are opposed to every part of the measure and every part of the proposed legislation.

So there is no significance in the statement that no bill was prepared before the hearings were held. Criticism of the method of preparing the bill was also made by the gentleman from Massachusetts. It is true that we rely upon the experts, including the drafting service; and we have, I think, as able men in this service as can be found, and we are glad to rely upon them. This is one good thing that we inherited, if I may use that term in connection with these noble men, from the regime which preceded us. They are experts.

They drafted the social security bill and all other highly technical bills that have been before Congress in the last two sessions.

I am somewhat surprised that the gentleman from Massachusetts should fall upon that particular item as a basis for his criticism. Of course, we rely on these men; we are glad to have them to rely upon. We determine the policy and they formulate the language.

Now, the gentleman from Massachusetts says that the proposal before us is the product of theory. He says that no practical man would ever have advanced the idea. The fact is this principle of taxation which we are embodying in this present bill is not a new principle. It did not originate with this administration. It did not originate with the Ways and Means Committee as at present constituted.

Back in 1861, or between 1861 and 1872, during the Civil War and immediately following the Civil War the Government was under the control of the party with which the

gentleman from Massachusetts is affiliated. Then Congress provided that the gains and profits of corporations should be included in the annual gain, profit, or income of any person entitled to the same whether divided or otherwise.

I now read from pages 23 and 24 of the hearings.

Shortly before and while the Revenue Act of 1921 was under consideration a proposal identical in principle with that incorporated in the subcommittee's report received the widespread attention of representatives of organized business, Members of Congress, and the Treasury staff.

In a somewhat modified form it was incorporated in a bill passed by the Senate in 1924.

If you will reflect, the Senate at that time was in control of the party with which the gentleman from Massachusetts [Mr. TREADWAY] is affiliated.

So eminent a taxation authority as the late Prof. T. S. Adams, of Yale University, former chairman of the Advisory Tax Board in the Bureau of Internal Revenue, and for many years a Treasury advisor, went on record in 1918 and subsequently in favor of the taxation of undivided profits at the rates that would apply if such profits were distributed to the shareholders.

That in principle is the same as the proposal in this tax bill.

Dr. Adams is quoted as saying—

Fiscal necessity—and personally I believe logic as well—requires the taxation of all profits whether reinvested or not. A similar recommendation was made by Secretary of the Treasury Houston in his annual report for the year 1920.

The gentleman from Wisconsin [Mr. SAUTHOFF] presented here a plea for protection to the dairy farmers. It is true that we declined to incorporate in this bill and open the hearings to the excise taxes which he desired to propose. There is not a single excise tax in the bill. The President suggested that certain kinds of processing taxes might afford a source of additional revenue, but they were omitted from the bill after the committee had thoroughly canvassed the situation and found there was such great opposition to it that in the opinion of the committee the House would not acquiesce in that type of tax. So we left off the suggested processing tax, and we are confining the bill for revenue in the main to the corporation-income tax. It is true that by a vote of the committee to determine whether the suggestion of Mr. SAUTHOFF should be received by the committee, the members of the minority of the committee voted in favor of such suggestion and the Democrats voted against it, but it is evident what the purpose of the minority members was in voting for that suggestion. They wanted to get excise taxes into the bill so that it would make it in order to introduce as an amendment before the committee and possibly before the House a general sales tax as a substitute for the provisions contained in the present bill. It is no new thing that those having large incomes and who are in the high surtax brackets favor a general sales tax over an income tax. It is also a matter of general knowledge that even though it should not be a complete substitute, those interests favoring a general sales tax feel that if they can once get that tax into the tax structure of the country, it will result in reducing the taxes on incomes. That was the obvious purpose of the minority members in voting to put these excise taxes in the hearings. Our purpose in voting against the suggestion was to keep excise taxes out and not open the entire field to excises and to import duties in the guise of excises.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. VINSON of Kentucky. Was it not suggested by the gentleman from Wisconsin [Mr. SAUTHOFF] that while he favored certain excise taxes to which he referred, he was in opposition to other excise taxes upon farm commodities that had been suggested?

Mr. SAMUEL B. HILL. I do not recall personally what Mr. SAUTHOFF said about that, but he certainly was not there advocating these other excise taxes that the President suggested in his message.

Mr. VINSON of Kentucky. And he stated specifically that he opposed the excise taxes that we sometimes commonly refer to as processing taxes upon agricultural commodities, just as other members of the committee opposed them, and because of which opposition they are not in the bill.

Mr. SAMUEL B. HILL. I am sure the gentleman's statement is correct. The gentleman from Massachusetts [Mr. TREADWAY] says that only three persons outside of the Treasury officials came before the committee to advocate this character of tax legislation. There is nothing new in that. Taxpayers do not come before the Committee on Ways and Means as a rule advocating an increase in taxes. In all of the tax legislation in which I have participated, the hearings develop into a kind of a protest meeting. Only those whose pocketbooks are affected appear showing, in their opinion, why such taxes should not be levied upon them, and, of course, we must rely upon the Government officials, who have the expert knowledge, to come before the committee and give us the necessary data as a basis for tax legislation. The gentleman from Massachusetts said that only three outside of those officials came advocating the tax bill, and he made particular reference to a Communist, a gentleman named Bedacht.

That man did not support the bill. He was in favor of a number of things that we had especially excluded, and was opposed to some things in the bill. Just to keep the record straight, I shall read a few excerpts from his testimony:

Mr. REED. Is this recommendation in your platform? Was it in your party platform of 1932?

Mr. BEDACHT. No. The recommendations are embodied in five proposals. If you wish to review them, I can give them now.

Mr. REED. In your party platform did you advocate this principle—in your party platform?

Mr. BEDACHT. No; we did not.

Mr. WOODRUFF. To tax corporation surpluses?

Mr. BEDACHT. No; we did not.

Then later on in his testimony Mr. VINSON asked him some questions as follows:

Mr. VINSON. Then did I understand you to say that you were against abolishing the present corporation taxes?

Mr. BEDACHT. Yes.

We are abolishing the present corporate taxes and substituting the proposals in this bill. He said he was opposed to that.

Mr. VINSON. Well, you are against that anyhow?

Mr. BEDACHT. Yes.

Mr. VINSON. Are you against abolishing the capital-stock tax?

Mr. BEDACHT. We are against——

Mr. VINSON. That is the present tax that is on the capital stock of corporations.

Mr. BEDACHT. Yes.

We abolish the capital-stock tax under the provisions of this bill.

Mr. VINSON. $1.40 a thousand?

Mr. BEDACHT. Yes.

Mr. VINSON. Are you against the repeal or abolishing of the excess-profit taxes?

Mr. BEDACHT. Yes.

Mr. VINSON. Now, you say that this bill ought to tax present surpluses?

Mr. BEDACHT. Surpluses accumulated up to now; yes.

Mr. VINSON. The accumulated surpluses?

Mr. BEDACHT. Yes.

Mr. VINSON. And you think that they ought to be taxed?

Mr. BEDACHT. Yes.

Mr. VINSON. And I believe you say that you ought to tax tax-exempt securities?

Mr. BEDACHT. Yes.

On that particular point he was certainly in harmony with the gentleman from Massachusetts, but on these other points he was opposed to the provisions in the bill, and advocated some that were not in it.

Mr. DOUGHTON. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. DOUGHTON. I wonder if the gentleman from Massachusetts [Mr. TREADWAY] will abandon his position with respect to tax-exempt securities now, since he has found himself in company with a Communist? The gentleman accuses us of being in bad company. I wonder if he will abandon his position with reference to tax-exempt securities now that he finds himself in company with a Communist?

Mr. SAMUEL B. HILL. I think I will let the gentleman from Massachusetts answer that.

Now, I want to take up this bill and at least give you an outline of what is in it; but before I proceed with that I wish to say that for the fiscal year 1935, 61 percent of all the revenues received by the Federal Treasury came from consumption or excise taxes. We are now taxing heavily through the form of excises for the revenues of the Government 61 percent of the total amount of revenues coming from that source. We find that in the income-tax field there is an opportunity for raising additional revenue and at the same time equalizing the tax burden as between corporations and corporations, as between corporations and individuals, and as between corporations and members of partnerships.

This bill is divided into four titles. Title I deals with income taxes. It reenacts the individual income-tax schedules with the necessary changes therein to include the amendments which this bill makes upon the Revenue Act of 1934. It reenacts the corporation income taxes on the basis of taxing the net income bracketed according to the amount of retained net income withheld from distribution.

Title II amends the 1935 Revenue Act by reducing capital-stock tax from $1.40 per thousand on the declared value to 70 cents per thousand. It further amends the 1935 act by discontinuing the capital-stock tax after July 1, 1936, and by discontinuing the excess-profits tax after the close of the income-tax taxable year beginning in 1936 and not later than June 30, 1936.

Title III levies what is called windfall taxes, the tax on unjust enrichment.

Title IV provides for refunds in accordance with certain provisions of the Agricultural Adjustment Act which was invalidated by the decision of the Supreme Court, and also provides for refunds of taxes on floor stocks on hand on January 6, 1936, the date of such decision by the Supreme Court. The refund of taxes on floor stocks, however, does not apply to claims of processors for refunds on account of floor stocks still in their possession. Those refunds are taken care of in section 21 (d) of the Agricultural Adjustment Act, as amended, and we do not include it in this bill.

The most important part of this bill that we are presenting here today is that which is embraced in title I. We propose in that title to repeal all existing corporation taxes after December 31, 1935, and substitute for those taxes a plan of taxation based upon the net income of the corporation, measured by the amount of adjusted net income of the corporation withheld from distribution through dividends. We repeal the capital-stock and excess-profits tax under title II, so that corporation taxes, including corporation income taxes as now existing, and capital-stock and excess-profits taxes now upon corporations, are all repealed. We leave the individual income taxes as they are in the law today, except that, instead of exempting dividends from corporations in the hands of individual taxpayers from the normal tax, we impose the normal tax of 4 percent on dividends from corporations as well as upon income from other sources.

I now invite your attention to section 13, on page 13 of the bill, which makes this change from the existing corporation taxes to the new plan proposed in this bill. Section 13, at the bottom of page 13, shows the new plan of taxation on corporations.

We have classified corporations into two classes for the purposes of the imposition of this new tax. We have classified them into corporations having a net income of $10,000 or less in one class and corporations having a net income of more than $10,000 in the second class. We have prepared two schedules of rates, one for class 1 and another schedule of rates for class 2.

If you will turn to page 15 of the bill, you will find a table under schedule I entitled "Adjusted net income $10,000 or less." If you will read the paragraph immediately above the table and then follow it through the table, you will find just exactly how to compute the tax under schedule I, table 1, on all corporate net incomes of $10,000 or less, provided that the percentage retained or withheld from distribution is an even percentage.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. McFARLANE. While the gentleman is on that subject, I wish he would explain the wording of the provision both before and after the table on page 16.

Mr. SAMUEL B. HILL. I will read the provision just above the table:

If the undistributed net income equals a percentage of the adjusted net income shown in column 1 of the following table, then the tax shall be the percentage of the adjusted net income shown opposite in column 2.

Perhaps I had better give an example. Let us take a corporation having a net income of $10,000, and the corporation wishes to retain in its surplus $3,000, or 30 percent. Just bear those figures in mind—$10,000 income and the undistributed part of the net income $3,000. Now we will read:

If the undistributed net income—$3,000—equals a percentage of the adjusted net income—$10,000—shown in column 1 of the following table—

Now go down in column 1 to the figure "30"—

then the tax shall be the percentage of the adjusted net income shown opposite in column 2

That is the rate of tax. Multiply the $10,000 by 7.5 percent and you will get the amount of the tax.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. VINSON of Kentucky. And that would be $750 as compared to a minimum tax of $1,290 under existing law?

Mr. SAMUEL B. HILL. Yes; it would probably be $1,300 under existing law.

Mr. VINSON of Kentucky. The corporation would have to pay a minimum tax at the rate of 12½ percent on the first $2,000 and 13 percent on the next $8,000, totaling $1,290 tax. Then a capital-stock tax and perhaps an excess-profits tax.

Mr. SAMUEL B. HILL. Yes; that is true. Under this plan if the corporation wants to retain only $3,000 out of the $10,000, or 30 percent, from distribution, it will pay a tax of $750, and that will come out of the $7,000, not the $3,000. Under present law there would be a tax of 12½ percent on the first $2,000, 13 percent on $8,000, making total tax $1,290.

Mr. VINSON of Kentucky. Plus a capital-stock tax.

Mr. SAMUEL B. HILL. Plus a capital-stock tax of $1.40 per $1,000 on the declared value, and excess-profits taxes, if any.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield further?

Mr. SAMUEL B. HILL. I yield.

Mr. McFARLANE. I wanted the gentleman to point out just how we are going to raise this money we have in mind under the provisions of this bill.

Mr. SAMUEL B. HILL. I will try to get to that.

Mr. BIERMANN. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. BIERMANN. I quote from page 19 of the minority report. Referring to the present corporate taxes, the report says:

It abandons an assured revenue of $1,100,000,000 annually for one purely speculative and uncertain and which promises to be most disappointing in amount, thereby jeopardizing Federal revenue.

Can the gentleman inform us how much the corporate-tax provision of the new bill will yield in comparison with the present law?

Mr. SAMUEL B. HILL. Yes; I will try to get to that, but let me make this statement first: One reading the minority report, having heard the witnesses from the Chamber of Commerce of the United States and the National Association of Manufacturers, would think there was a very close relationship between the compilers of the minority report and the advocates representing those two organizations.

Mr. BIERMANN. Yes; that is true.

Mr. SAMUEL B. HILL. They would not have been before the committee had they thought this plan would not get the money. That is what they are afraid of. They do not want it to get the money, but they know it will.

Mr. BIERMANN. I am thoroughly in sympathy with the gentleman, and think he is accurate, but has the gentleman any information as to how much this bill will yield in place of the present corporate tax?

Mr. SAMUEL B. HILL. Yes, I have; we are not going around here blindly. If we repeal the present corporation taxes, including the capital-stock and excess-profits tax, we will lose $168,000,000 from the capital-stock and excess-profits tax and we will lose $964,000,000 from the corporate income tax, making a total of $1,132,000,000 we will lose by repealing these taxes if we did not substitute something for them.

Under this bill on the basis of 30-percent retention of net income of the corporation as an undistributed part of the income the corporations would pay under the new bill $1,065,000,000 as against $1,132,000,000 we would lose by repealing present corporation taxes.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes; I yield.

Mr. VINSON of Kentucky. It might be well to point out that, allowing a 30-percent retention, there will be paid out in additional dividends for the taxable year 1936 $3,360,000,000, which, of course, would be subject to the normal tax as well as the surtaxes in the hands of the individual holders.

Mr. SAMUEL B. HILL. I thank the gentleman for his contribution. That is where we are going to get the increase.

While we lose on the corporate tax we gain on the individual income tax. Under existing law it is estimated that for 1936 we will get $1,153,000,000 of individual income taxes. Under the proposed law we will get $1,811,000,000 in individual income taxes, gaining by this operation $658,000,000. We lose $67,000,000 on corporation taxes; so, subtracting this from $658,000,000 gives us a net gain of $591,000,000 from the change in the corporate tax plan. I shall have some more figures to submit later in another connection. This $591,000,000 is the net gain in revenue under the proposed plan over the existing plan, without taking into consideration the additional revenues which I will refer to later and which amount to a total of $223,000,000.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. ROBERTSON. Touching corporate incomes of $10,000 or less, is there any provision respecting amounts paid on debts?

Mr. SAMUEL B. HILL. We have a provision touching that. I will reach that a little later.

Mr. ROBERTSON. That is in another section?

Mr. SAMUEL B. HILL. Yes.

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MASSINGALE. The gentleman took as one of his illustrations a corporate income of $10,000, of which $7,000 is distributed and $3,000 undistributed. Will the gentleman explain the taxable status of the $3,000?

Mr. SAMUEL B. HILL. There is not $7,000 distributed, because the tax comes out of the $7,000.

Mr. MASSINGALE. I understand that.

Mr. SAMUEL B. HILL. What is the gentleman's question again?

Mr. MASSINGALE. What is the taxable status of the $3,000 which is held in reserve?

Mr. SAMUEL B. HILL. The tax has been paid on the basis of reserving $3,000 and not distributing it in the form of dividends. That may be laid aside to surplus. If at some subsequent time this $3,000 or some part of it is paid out in dividends, then it will become taxable in the hands of the distributees.

Mr. MASSINGALE. It becomes taxable at a subsequent time?

Mr. SAMUEL B. HILL. Yes; when it is distributed. The amount of the retention determines the amount of tax that the corporation itself shall pay. If it retains only 10 percent, it would pay a tax of 1 percent on its net income, or $100.

Mr. TAYLOR of South Carolina. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from South Carolina.

Mr. TAYLOR of South Carolina. Referring to that $3,000, as long as it remains dormant in the corporation is it forever afterward immune from taxation?

Mr. SAMUEL B. HILL. As a corporation tax, yes. It is immune to a further corporation tax.

Mr. TAYLOR of South Carolina. What other tax would it have to pay?

Mr. SAMUEL B. HILL. If in the next year or subsequent years it should be paid out in dividends, then in the hands of a stockholder or stockholders, the man who receives the dividend, it would become taxable.

Mr. TAYLOR of South Carolina. Yes; I concede that, but what part will it play in succeeding years in figuring income?

Mr. SAMUEL B. HILL. None at all. Each year stands on its own current earnings.

Mr. TAYLOR of South Carolina. Whatever they retain after paying their taxes and so forth remains separate and apart from any future calculations?

Mr. SAMUEL B. HILL. It has nothing to do with the net income in any year except the year in which it was earned and for which the tax is being computed.

Mr. VINSON of Kentucky. It might be well to suggest at this point in connection with corporations having a net income of $10,000 or less, that 42 percent of their distributed net income may be retained and remain undistributed without the imposition of any tax in excess of existing law.

Mr. REILLY. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from Wisconsin.

Mr. REILLY. Under this bill the corporations will pay a less tax and the stockholders more?

Mr. SAMUEL B. HILL. The gentleman is correct.

Mr. CASTELLOW. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from Georgia.

Mr. CASTELLOW. Is it the opinion of the committee that 30 percent would represent the average retention by corporations?

Mr. SAMUEL B. HILL. The information on that is it would range from 25 to 30 percent.

Mr. VINSON of Kentucky. Over a period of 15 years, if I may suggest, the average was 25 percent. Over the past 10 years it is 30 percent.

Mr. CASTELLOW. If it was less than that, would the revenue which the Government would receive be increased or decreased?

Mr. SAMUEL B. HILL. If the retention is less, the corporation would pay less, but the individual taxpayer would pay more.

Mr. CASTELLOW. What would be the effect on the Treasury? Would the individuals pay as much or more than would be paid by the corporation?

Mr. SAMUEL B. HILL. That is the pivot upon which this plan is balanced. You get it either out of the individual taxpayer or you get it out of the corporation at an increased rate if the corporation holds back more than the average, we will say, which may be necessary for surplus in carrying on the business.

Mr. CASTELLOW. Suppose the corporation only retains upon an average 20 percent, would that increase or decrease the revenue which would be provided by this bill?

Mr. SAMUEL B. HILL. Under this bill as the rates now stand we will get more money on the distribution.

Mr. CASTELLOW. If it was decreased to 20 percent the Government would receive more revenue from the operation of the bill?

Mr. SAMUEL B. HILL. Yes; we would get more money in the surtax brackets.

Mr. WADSWORTH. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from New York.

Mr. WADSWORTH. My concern, which is purely sentimental for the moment, has to do with small corporations which are just commencing business and with respect to which it is essential that they retain a very large proportion of their profits in the first 2 or 3 years after starting business in order to get themselves on a safe basis. May I ask the gentleman from Washington, because I cannot figure it out arithmetically from the bill, how much tax a corporation would have to pay with a net income of $10,000, we will say, if it wanted to retain the whole $10,000 for surplus?

Mr. SAMUEL B. HILL. It would pay a tax of 29.5 percent.

Mr. WADSWORTH. That is the maximum?

Mr. SAMUEL B. HILL. That is; a corporation with a surplus of $10,000 or less.

Mr. WADSWORTH. That is the maximum?

Mr. SAMUEL B. HILL. Yes.

Mr. WADSWORTH. May I ask another question?

Mr. SAMUEL B. HILL. Certainly.

Mr. WADSWORTH. The gentleman has stated that the Government will collect from the individual shareholder in the way of an individual-income tax which he will pay when these surpluses are distributed in the form of dividends. Did the committee ascertain the average holdings of the stockholders in all the corporations of the United States before it made this estimate?

Mr. SAMUEL B. HILL. Yes. Mr. McLeod, the statistician and Actuary of the Treasury Department gave us that information. I do not recall what page it appears on in the hearings. His testimony starts on page 26. If the gentleman will turn to Mr. McLeod's testimony in the hearings he will find some tables there together with the information he is requesting with reference to the number of shareholders in the $100,000 or more brackets, or less, and so forth.

Mr. VINSON of Kentucky. Pages 27 and 28.

Mr. WADSWORTH. I assume then, if the gentleman will be patient for a moment, that the gentleman will admit that this bill, applicable to corporations with a net income of $10,000 or less, will make it much more difficult for a brand new corporation to start out and build up a surplus than under the old law, in that such a new corporation would pay a tax as high as 29½ percent of its profits as compared with 13 percent today.

Mr. SAMUEL B. HILL. If it withholds all of its net income. However, a newly formed corporation usually has enough capitalization to finance its operations to begin with, and under this plan it can reserve 40 percent of net income each year without paying more tax than now.

Mr. WADSWORTH. Of course, and many of them have to do that.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. VINSON of Kentucky. Is the gentleman from New York referring particularly to a closely held corporation?

Mr. WADSWORTH. No; any sort of corporation.

Mr. SAMUEL B. HILL. A so-called personal-holding company, in other words.

Mr. VINSON of Kentucky. Or does the gentleman mean the ordinary small corporations where you have a few stockholders?

Mr. WADSWORTH. Any sort of corporation that starts on a small basis, as most of them do.

Mr. VINSON of Kentucky. Undoubtedly the closely held corporation can get the money back into its working capital without any trouble whatever under this bill.

Mr. WADSWORTH. Without paying the 29.5-percent tax?

Mr. VINSON of Kentucky. Yes; they can distribute the profit 100 percent, and if it is closely held, they can lend the money back to the corporation.

Mr. WADSWORTH. A method of evasion?

Mr. VINSON of Kentucky. No; the money goes through the tax mill. In other words, in the hands of the individual shareholder the Federal Government is paid the normal tax and the surtax.

Mr. WADSWORTH. Very well; the gentleman states they can lend the money back to the corporation, and that would mean the corporation would have an additional interest charge to carry.

Mr. VINSON of Kentucky. And they deduct the interest charge on next year's return.

Mr. WADSWORTH. Nevertheless, it has to be added to the price of their product.

Mr. VINSON of Kentucky. But they have the working capital and do not pay the 29.5-percent tax.

Mr. WADSWORTH. The gentleman from Washington indicates he is not certain the gentleman from Kentucky is right about that.

Mr. SAMUEL B. HILL. I was not following the gentleman and I am not sure I heard what the gentleman from Kentucky stated.

Mr. VINSON of Kentucky. I said they could lend the money back and thereby avoid paying the 29.5-percent tax. They would get the money at 6 or 7 percent, or whatever the stockholder is willing to take for his money.

Mr. SAMUEL B. HILL. Surely, that is correct. If they pay out all of the earnings, there is no tax at all to the corporation.

Mr. WADSWORTH. Assuming, of course, that the stockholders have the money to lend.

Mr. VINSON of Kentucky. The gentleman from New York certainly knows that when the money is paid in dividends by the corporation to the stockholder the stockholder has the same money less tax.

Mr. WADSWORTH. Then he is not to spend it; he is to put it back in the business.

Mr. VINSON of Kentucky. I am saying that if the business needs it and it is closely held corporation and they want to put their money into the working capital, they can do it without paying the 29.5-percent tax.

Mr. SAMUEL B. HILL. And there will be no tax evasion, because the distributee would pay his individual tax.

Mr. WADSWORTH. Depending, of course, on whether he is a taxable person.

Mr. SAMUEL B. HILL. Of course, depending on whether he comes within the taxable brackets; and while this measure will bring a great many additional persons within the taxable brackets, there will be some who will not be in the taxpaying brackets.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. COOPER of Tennessee. Further inviting the attention of the gentleman from New York [Mr. WADSWORTH], what happens now, in the case of an individual or partnership, if the individual or partnership now makes $10,000? What do they do?

Mr. WADSWORTH. They pay on it.

Mr. COOPER of Tennessee. This bill simply provides that the corporation pay a tax; that is all.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman from Washington permit a question?

Mr. SAMUEL B. HILL. Yes.

Mr. MARTIN of Colorado. As I understand it, the present accumulated surpluses are untouched and the tax operates in future.

Mr. SAMUEL B. HILL. That is correct.

Mr. MARTIN of Colorado. I have heard the objection made that this will penalize newly formed corporations in that they will not be enabled to accumulate surpluses.

Mr. SAMUEL B. HILL. Well, when a newly formed corporation can reserve 40 percent of its net earnings without paying any greater tax than it pays now, I think a very

liberal provision has been made for the building up of a surplus or reserve, and in addition to this, while I did not expect to go into this matter just now, all corporations have the same privilege as they have under existing law to build up a reserve for depreciation, depletion, and so forth, and such reserves amount to a rather staggering sum of money. That you may know just what these reserves amount to I will read from page 22 of the hearings an excerpt from the testimony of the Commissioner of Internal Revenue, as follows:

The proposal does not at all affect the liberal provisions of present laws for the deduction of ordinary operating reserves, such as those for depreciation, depletion, obsolescence, bad debts, and the like, from taxable income. All such reserve allowances will be deductible as at present from the taxable incomes of corporations.

Many people do not realize how important these deductible reserves are. Between 1926 and 1929, inclusive, the aggregate deductions from taxable income for depreciation and depletion reported by all corporations amounted to sixteen and two-tenths billions. During the succeeding 4 years, 1930–33, inclusive, the deductions for depreciation and depletion reported by all corporations aggregated sixteen and four-tenths billions. Taking the aggregate figures only for corporations reporting net incomes during these two 4-year periods, we find that between 1926 and 1929, inclusive, the aggregate deductions from taxable net income for depreciation and depletion amounted to a sum equal to 31.2 percent of the aggregate statutory net income reported. For the years 1930–33, inclusive, such deductions amounted to a sum equal to 49.9 percent of the aggregate statutory net income reported. In other words, the liberal provisions of the law with respect to deductions for depreciation and depletion—provisions which would be retained under the new plan—already permit very substantial operating reserves free from taxation.

The table on page 15, which I shall call table 1, approaches the question from the standpoint of how much the corporation wants to withhold from distribution, or how much it wants to put into reserve.

Mr. McLAUGHLIN. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. McLAUGHLIN. On the question the gentleman was just speaking of, can the gentleman give us any idea how much net revenue a $10,000 income corporation could retain without paying tax upon it, taking the 40 percent that is allowed under the bill and adding depreciation, depletion, obsolescence, and the like? How much of the net revenue could be retained without paying taxes?

Mr. SAMUEL B. HILL. Of course, the depreciation and depletion allowance depend upon the character of the plant which the corporation has; that is, the buildings, and so forth, or whether it is a mine or a business institution.

Mr. McLAUGHLIN. The gentleman stated he thought he would give us something on that later.

Mr. SAMUEL B. HILL. I have given it as to the total of such reserves over a representative period of time.

I can refer the gentleman to the chart and the various rates, but you must have the facts in the individual cases to give exact information as to such individual cases.

If you will turn to page 17 you will find another table, table 1–a, which approaches the question from the dividend end of the subject; in other words, if a corporation says it wants to pay out so much money in dividends and have, whatever is left to build a reserve, you can take the figures in table 1–a and get exactly the rate of tax on the net income that will produce the revenue that the Government will get out of the corporation at any percentage of the amount paid out in dividends to the adjusted net income.

Following each of these tables is what they call the interpolation provisions which tells you exactly how to calculate or compute the tax on any fraction of percentage.

So the tables are as plain as the English language can make them, and just as understandable as any provision can possibly be made.

The gentleman from Massachusetts dwelt upon the point that the bill was so complex in its language that nobody could understand it, and said it was more complicated than any provision in a tax law of the past.

Back in 1924, and you know under whose regime that was, they passed a reorganization plan for corporations whereby they could evade the tax. It was couched in language so complex that without the arbitrary construction by the Treasury Department no man could tell what it meant.

We have been trying to simplify the language and eliminate that part of it.

Mr. CARPENTER. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. CARPENTER. Will the gentleman from Washington give us an example under the table he has referred to?

Mr. SAMUEL B. HILL. Table 1–a?

Mr. CARPENTER. Yes.

Mr. SAMUEL B. HILL. Suppose you take a corporation with $10,000 annual income. What percentage do you want to pay out in dividends? I will let the gentleman select it.

Mr. CARPENTER. Thirty percent.

Mr. SAMUEL B. HILL. Well, look at column 1 and you find the figures "30." Opposite to that in column 2 you find "19.0323." You multiply $10,000 by that percentage and you get the tax.

That disposes of schedule I for corporations of $10,000 or less. Now, we come to schedule II for corporations with an income of more than $10,000. The rates are different in that schedule from those in schedule I.

On page 20 you will find the computation under schedule II. Then, if you will follow down column 1 to the figure immediately opposite, you will find the percentage retained or withheld from distribution, and just what the rate of tax is of the adjusted net income. There cannot be any possible mistake, because those rates are there. I now ask you to turn back in your bill to the first part of it, where you have the individual income-tax schedules, and compare those with this and see which is the simplest. I say this language is reduced to the simplest possible form, and anyone who can read and understand the English language can work out his tax rates. If you can get it in simpler language than that, you will do more than our committee could do.

Table 2–a corresponds to table 1–a in schedule I, and gives you the rate of tax based upon the amount of dividend distributed instead of upon the amount withheld from distribution. So you have the table here for your convenience and for the convenience of the taxpayer. If he wants to compute the tax from the point of view of the amount withheld from distribution, you have table 1 or 2, and if you want to compute the tax from the viewpoint of the amount of dividend distributed, you use table 1–a or 2–a, and the interpolations follow in each instance. We have then what we call the merger table, to take care of the transition between schedules I and II. For instance, if you have a corporation with a net income of $10,000, it pays at the rate, we will say, from 1 percent to 29½ percent depending upon whether you are retaining 10 percent or 100 percent. If another corporation has a net income of $10,001, that would come under schedule II and would immediately be taken out of schedule I and put under schedule II where the tax rate is 4 percent for 10 percent retained, and so to make the transition between these two there is schedule III, to make an even graduation between the rates in schedule I and schedule II.

That also is easily computed. If you will turn to the report of the committee you will find examples given there on page 6 of the report.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. Yes.

Mr. COOPER of Tennessee. It might also help to point out, for instance, that if a corporation had $10,001 net income, if schedule III were not employed and provided here, it would immediately go into schedule II, and the lowest rate would be 4 percent, while if it was just $10,000 the rate would start at 1 percent.

Mr. SAMUEL B. HILL. I have just been explaining that.

I am going to take example 3 in the committee's report on page 6, because it is all set out there. This will illustrate the merger between schedule I and schedule II, so that the

taxpayer will not be unjustly taxed by reason of the sudden change in the rates from 1 to 4 percent. We will say that 10 percent is retained. Example 3 is at the bottom of the page: A corporation has an adjusted net income of $20,000, which is under schedule II. It has as yet declared no dividends, but it decides that it wishes to retain $2,000 net in surplus, in undistributed net income. The percentage of undistributed net income to adjusted net income is, therefore, 10 percent. In such a case a corporation computes a tax under schedule II and under schedule III, and is subject to whichever tax is the lesser. It shows you there exactly how they compute it. The schedule II tax is readily determined from the rate table included in that schedule. The rate for an undistributed net income of 10 percent of the adjusted net income is 4 percent. That would be $800, 4 percent of $20,000. Therefore the dividend credit is $17,200. That is the amount that you would have for distribution.

A tax is now computed under schedule III. A tax is first computed under schedule I on the whole $20,000 of adjusted net income. With 10 percent retained, the rate is 1 percent and the tax is $200. To this tax is added a tax under schedule II computed on the amount by which the adjusted net income ($20,000 in this case) exceeds $10,000. This excess is $10,000, and the rate under schedule II for a 10-percent retention is 4 percent. Then this added tax is $400. The total tax under schedule III is, therefore, $200 plus $400, or $600. But the tax under schedule II alone was $800. Therefore, the taxpayer will have his tax computed under schedule III since that tax is the lesser—$600 as compared with $800. The effect of taking the tax computed under schedule III is to permit the $200 tax saving to be retained as a surplus free of tax. That makes a saving to the taxpayer of $200 in the case given.

Section 14 is one of the so-called cushions. It takes care of the deficit cases. Where a corporation is in the red, where it has exhausted its accumulated earnings and profits and has gone into its capital structure to the extent of $100—in other words, $100 in the red—and makes a net earning in the present current year of $500, then you add the minus $100 and the $500 net income, which leaves you $400, so that under this provision in order to enable the corporation to make up this deficit and apply $100 of its net earnings to the deficit, we tax the corporation on that $100, 22½ percent, and then put the other $400 under the general plan in this bill as a new base, under schedules I or II, as the case may be.

Mr. WADSWORTH. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. WADSWORTH. Do I understand the gentleman, in effect, to explain that this bill imposes a tax upon the payment of a debt?

Mr. SAMUEL B. HILL. No. It imposes a tax upon net income.

Mr. WADSWORTH. Upon net income used in the payment of a debt?

Mr. SAMEUL B. HILL. Yes. It does that now.

Mr. WADSWORTH. With corporations?

Mr. SAMUEL B. HILL. Yes. We have not changed the principle. We changed the rate from 15 to 22½.

Mr. WADSWORTH. That is very different.

Mr. SAMUEL B. HILL. But we have not changed the principle, but we give them a flat rate of 22½ on that part which is necessary to make up the deficit.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. VINSON of Kentucky. It might be well to call attention to the fact that 22½ percent of the amount that would go to make up the deficit might be very materially less than 15 or 16 percent of the total net income.

Mr. WADSWORTH. That might be so, but I prefer to discuss that in my own time. I have no right to impose upon the gentleman from Washington. It is a new idea to me.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield on the question just now under debate?

Mr. SAMUEL B. HILL. I yield.

Mr. CRAWFORD. Assume that a corporation at December 31, 1935, had an indebtedness of $500,000 and an accumulated surplus, not included in the 1935 profits of $200,000, which means to say there would be an excess of debt over accumulated surplus of $300,000, which the taxpayer desired to pay off over a period of 5 years; now, let us assume that the profits for 1935, the adjusted net income, is $160,000, could the gentleman give us an application of that problem to the tax bill, showing what would be taxed at 22½ percent?

Mr. VINSON of Kentucky. While we have not yet reached that point, $60,000 would be subject to the 22½-percent rate. In other words, the debt is $300,000, if it comes within the definition of "debt." The $300,000 is to be amortized in 5 years. Consequently with an adjusted net income of $160,000 you could put $60,000 to that debt of 22½ percent. Then after you reduced your $100,000 base by reduction of the tax, you would get a new base for the tax under the plan.

Mr. CRAWFORD. If on the $60,000 you paid a tax of $13,500 or 22½ percent, then the $13,500 would be deducted from the remaining $100,000?

Mr. VINSON of Kentucky. And you would have a new base of $86,500.

Mr. CRAWFORD. And that would be taxed under section 13?

Mr. VINSON of Kentucky. Yes; and if you made distribution of that, the corporation would not have any taxes other than the 22½ percent on the $60,000, or $13,500. Under existing law in such a case the present tax would be more than $24,000.

Mr. SAMUEL B. HILL. Now, that takes care of section 16 which we had not yet reached, but I am now going to call attention to section 15, which deals with contracts not to pay dividends. If a corporation as of March 3, 1936, finds itself in a position, by reason of a contract entered into with its creditors, not to pay dividends until it has paid its creditor his debt or has established a sinking fund, or otherwise provided means of paying the obligation, if it is under that handicap by reason of a written contract, then we allow the corporation a 22½-percent flat rate on that portion of the net income which it is unable to pay out, by reason of this contract, in dividends. Then you get a new base for the tax on the remainder under the general plan.

Mr. HEALEY. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. HEALEY. Will that same principle apply in the case of a mortgage, where a corporation is paying off a mortgage on its property or a bond issue?

Mr. SAMUEL B. HILL. Provision 16, "debts", would probably take care of that situation, but this applies only in the case where, by reason of having entered into a contract not to pay dividends, a corporation is not in a position to pay dividends. These contracts must be in existence as of March 3, 1936.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield further?

Mr. SAMUEL B. HILL. I yield.

Mr. CRAWFORD. Would the gentleman briefly tell us the difference between the taxable year and the dividend year, and show how they mesh in together?

Mr. SAMUEL B. HILL. The taxable year we have not changed. In most cases it is the calendar year.

Mr. CRAWFORD. But you have brought into this new law a technical definition of the dividend year.

Mr. SAMUEL B. HILL. The dividend year commences 2½ months after the taxable year begins, and extends 2½ months beyond the end of the taxable year.

Mr. CRAWFORD. So that any distribution made during that dividend year out of the income of the taxable year would be exempt from taxation?

Mr. SAMUEL B. HILL. It would have a dividend credit; yes.

Mr. BIERMANN. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. BIERMANN. What is the idea of having a different taxable year from the dividend year?

Mr. SAMUEL B. HILL. It takes the corporation some time to cast up its accounts and determine just how much its net income is and how much it wants to distribute and how much it wants to withhold from distribution. If you make the dividend year coincide with the taxable year, they would have to have this all figured out before the end of the taxable year.

We have other provisions in the bill, but I will not have time to take them up in such a detailed way as I have been doing. I have, however, covered the most important features of this bill and, I think, the features in which the House is mostly interested.

We have dealt with some corporations such as trust companies, banks, and insurance companies on a different basis from those under the general plan. For instance, we leave out of the general plan banks, trust companies, and all insurance companies, both domestic and foreign, and put them on a straight 15-percent flat-rate basis; and we put on the straight 15-percent flat-rate basis corporations in receivership because the board of directors of the corporation has lost control and it is in the hands of the court.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. McFARLANE. Why is a separate rate made for banks, trust companies, and insurance companies?

Mr. SAMUEL B. HILL. Their business is largely that of keeping great amounts of reserves for the protection of their depositors and fiduciaries.

Mr. McFARLANE. This other question, if the gentleman will permit, how does the rate in the proposed bill compare with existing law?

Mr. SAMUEL B. HILL. We are making them pay 15 percent flat, and any dividends such corporations receive from other corporations goes in as part of their net income.

Mr. McFARLANE. And the present rate on them is what?

Mr. SAMUEL B. HILL. The present rate is from 12½ to 15 percent.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. DOUGHTON. There is this additional fact to be borne in mind, that under the proposed plan dividends will be subject to the normal tax, whereas under existing law they are not.

Mr. SAMUEL B. HILL. That is, dividends paid out by banks will be subject to the normal tax as well as dividends paid out by all other corporations.

We have placed under the 22½-percent rate, foreign corporations having a place of business in this country, and we have placed foreign corporations having no place of business here and not engaged in trade or business in the United States, on a flat 15-percent rate to be withheld at the source. We have placed a flat tax of 10 percent on nonresident aliens, that is, people not citizens of the United States and not residing in the United States; and this 10-percent tax is withheld at the source. We expect to get considerably more revenue out of both nonresident aliens and foreign corporations having no place of business or not engaged in trade or business in this country, than we have been getting under the present plan, because we are going to withhold it at the source, and not take a chance on their making a report of it, or having to send our representatives to some foreign country to find what their net income is, and seek to induce them to pay their tax. This 10-percent tax and this withholding of the 10-percent tax on nonresident aliens applies in all cases except as to dividends to a nonresident alien stockholder of a foreign corporation, which foreign corporation is doing business in the United States, and receives less than 75 percent of its income from sources within the United States. The tax so levied and withheld is on that part of the income allocable to sources within the United States. In case such corporation receives 75 percent or more of its income from sources within the United States we withhold the 10-percent tax on dividends to nonresident aliens. But in no other case do we withhold the tax on nonresident aliens as to dividends received from foreign corporations. Do not confuse foreign corporations with domestic corporations, because we withhold the tax on dividends which domestic corporations pay to nonresident aliens.

I think you understand the "windfall" tax pretty well. We call it a tax on unjust enrichment. Under the processing taxes, which the Supreme Court invalidated, a burden was placed upon commodities which the processor either did not pay or had refunded to him, but at the same time passed the burden on to his customer. This is an unjust enrichment, a straight-out bonus, and we propose to tax that 80 percent after allowing certain deductions necessary to be allowed to arrive at a proper net basis.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MARTIN of Colorado. Is this going to involve a lot of lawsuits?

Mr. SAMUEL B. HILL. We have a lot of them anyway, so I do not think it will further complicate the matter.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. McFARLANE. I am wondering why we do not tax these "windfalls" 100 percent; why do we not take it all?

Mr. SAMUEL B. HILL. Does the gentleman think he could defend a tax which took all? I remember the gentleman at one time advocated a tax of 99½ percent, saying he did not want it thought he wanted to take all.

Mr. McFARLANE. That is right on the higher brackets, on incomes over $50,000. I think we ought to have a ceiling on personal-income tax where no individual under present circumstances will receive over $1,000 per week.

Mr. SAMUEL B. HILL. If the tax is 100 percent, we take all. Through the plan proposed we do not take all.

Mr. McFARLANE. I think we should take more than 80 percent. Why not take at least 90 percent; these processors are not entitled to keep 20 percent of this money they secured under A. A. A.

Mr. SAMUEL B. HILL. Title IV refers to refunds under certain provisions of the Agricultural Adjustment Act.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Washington 5 additional minutes.

Mr. SAMUEL B. HILL. Title IV provides also for the refund of taxes on floor stocks, but I am not going to take time to go into this, Mr. Chairman, for I think the Committee understand pretty well what it is.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. MARTIN of Colorado. Is this money in the hands of the court, the Government; or is this going to induce a lot of lawsuits?

Mr. SAMUEL B. HILL. The money that was paid has been refunded to the processor who paid the tax; they got the money.

Mr. TAYLOR of South Carolina. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I yield.

Mr. TAYLOR of South Carolina. In computing the net benefits derived under this unjust enrichment they will, of course, be allowed to show, if it be the fact, that they have passed the refund on to somebody else, will they not?

In other words, they would be allowed to show that the tax which was collected had been refunded on down the line?

Mr. SAMUEL B. HILL. Do you mean the Government would be allowed to show that?

Mr. TAYLOR of South Carolina. No; the individual or the manufacturer, for instance.

Mr. SAMUEL B. HILL. If the manufacturer has not paid the tax but has passed it on, of course he is the one we are

after. If he has paid the tax and absorbed it himself or refunded it we do not want to molest him.

Mr. TAYLOR of South Carolina. In other words, after this matter went into court, my information is that before a jobber or manufacturer could sell a contract he had to stipulate that if the tax were refunded to him he would in turn pass the refund on. If I am incorrect, the gentleman may correct me.

Mr. SAMUEL B. HILL. Does the gentleman mean the refund?

Mr. TAYLOR of South Carolina. Yes. That would enter into the computation?

Mr. SAMUEL B. HILL. Yes.

Now, Mr. Chairman, I want to call attention to the revenues which this bill will produce in addition to the $591,000,000 from the tax on the corporate and individual incomes heretofore mentioned. For instance, the so-called "windfall" tax is estimated to yield $100,000,000; the continuance of the capital-stock and excess-profits taxes for the period of the present fiscal year and present income-tax taxable year, respectively, is estimated to yield $83,000,000; and then there is a provision in this bill providing that corporations may liquidate within the next 2 years and have their capital gains computed under the graduated capital gains plan of the Revenue Act of 1934. From this provision it is estimated we will get $40,000,000 the first year, and $30,000,000 the second year. Hence, there should be added to the $591,000,000 the total of the last three items, $223,000,000, making the estimate of revenue which this bill will produce the sum of $814,000,000 the first year. [Applause.]

Under permission to extend my remarks, I incorporate an excerpt from the testimony of Hon. Guy T. Helvering, the Commissioner of Internal Revenue, at pages 20 and 21 of the hearings on this bill. This statement expresses admirably the philosophy and objectives of this legislation.

The excerpt is as follows:

When distributed to stockholders, corporation earnings become a part of the incomes of the individual stockholders and are subject to the graduated surtaxes. Corporate earnings which are not currently distributed in dividends now escape these surtaxes for long periods or altogether, thereby creating an unfair discrimination. All the earnings of a partnership or of an enterprise owned by a single individual, whether reinvested or not, are now subject to our income surtaxes.

If, for example, a partnership composed of four equal partners earned $1,000,000, the Federal Government would receive $517,136 of those earnings in individual income taxes, assuming that the partners were single men and had no other taxable income. If these same men conducted their business as a corporation and paid themselves salaries of $25,000 each but no dividends, the Federal Government would receive only $145,656 in income taxes—a difference of $371,480. Even if this corporation distributed 50 percent of its earnings, after the payment of $100,000 in salaries, in dividends, the Federal Government would still receive $174,400 less in taxes than it would receive if the business were conducted as a partnership.

The earnings withheld by corporations add no less to the wealth of the shareholders than the earnings distributed in dividends; for the reinvestment of corporate earnings becomes reflected in the stockholder's share of the net worth of the corporation and in increased earning power. It is worthy of note that the process of reinvestment of earnings frequently results in very large capital gains that escape capital gains taxes. The accrued capital gains of a lifetime, if obtained through the retention and automatic reinvestment of corporate earnings, escape all capital gains taxation because the law does not provide any tax on the increment between cost and market value at the time of death; the entire estate being subject only to the ordinary estate taxes, on the market value, that are paid by all estates. Thus, no special compensation is received by the Federal Government for the loss in revenues suffered during the lifetime of the owner by reason of his use of the corporate form.

Shareholders in corporations that pursue liberal dividend policies are now discriminated against because they are not permitted to reinvest tax-free the corporate earnings that they receive as dividends; whereas the stockholders in corporations that retain the bulk of their earnings are permitted under the present law to reinvest their share of the corporate earnings, in effect, without payment of individual income taxes thereon.

Further, the present ability of corporations and of their controlling stockholders to choose the timing of dividend distributions, without any effect upon the corporation's tax liability and without reference to current earnings, often results in a loss of revenue to the Federal Government and an unjust avoidance of taxation by stockholders of large personal incomes. The earnings withheld by a corporation would often, if distributed, raise the surtax brackets of stockholders, thereby putting the stockholders in the surtax brackets where they really belong. When withheld for a time, and then paid out in years when the other income of important stockholders is smaller, such earnings escape the higher rates to which they would have been subject. Individual businessmen and partnerships possess no corresponding choice for the timing of the distribution of earnings for income-tax purposes.

The present law also discriminates against stockholders with small incomes. The corporation earnings are subject to the 12½ to 15 percent corporation-income tax, as well as to capital-stock and excess-profits taxes. As against these rates of 12½ to 15 percent taken out of earnings, plus the capital-stock and excess-profits taxes, amounting on the average to about an additional percent, the stockholders' dividend receipts are exempted only from the 4-percent normal tax. Under the President's proposal, it would be possible for a corporation to avoid income taxes altogether, and the small stockholder would pay only the normal tax of 4 percent on his dividends or no tax at all, according to his total income, instead of paying the present corporation-income, capital-stock, and excess-profits taxes.

A further discrimination in favor of incorporated as contrasted with unincorporated business in the present law is to be found in the fact that an individual who reinvests in his business the large profits of 1 year, and subsequently experiences losses, is nevertheless subject in full to the income tax on the profits of his good year; whereas the stockholders of a corporation that similarly reinvest the large earnings of 1 year, and subsequently suffer losses, escape individual income taxes on the profits of the good years which have been wiped out.

On the other hand, the present law sometimes favors the partnership as against the small corporation. There are many corporations whose earnings, if wholly distributed among the shareholders, would not be subject to individual income taxes averaging from 12½ to 15 percent, because the shareholders of those corporations do not fall into sufficiently high surtax brackets. The corporate form of business organization is, nevertheless, desired by numerous small- and medium-sized enterprises for reasons of convenience, flexibility, and the like. Discrimination in taxation against the corporate form of business enterprise, as well as discrimination in its favor, would be removed by the present proposal.

In substance, a major result of the proposed measure would be to place all business, whether incorporated or not, on substantially the same basis for income-tax purposes.

Mr. BACHARACH. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota [Mr. PITTENGER].

Mr. PITTENGER. Mr. Chairman, I am opposed to this tax bill because I think it is so very complicated that few can understand it, and in the second place, the way to balance the Budget is not to pass a new tax bill but cut out unnecessary expenditures.

Mr. Chairman, I wanted this time for another purpose, and I hope no one will make a point of order, because I will be through in a minute. I have had an honor thrust on me that properly belongs to the gentleman from Indiana [Mr. PETTENGILL], one of our able, hard workers. I am credited in a dispatch appearing in a newspaper under date of April 19 with being the author of H. R. 3263.

This newspaper article also states that "five representatives of railroad brotherhoods will meet in St. Paul Monday with Senator BURTON K. WHEELER, of Montana, to urge his support in the Senate of the Pittenger bill to modify the long- and short-haul clause of the Interstate Commerce Commission."

I want the newspapers to get this, please.

Then they say further:

The Pittenger bill, sponsored by WILLIAM A. PITTENGER, of Duluth, already has passed the House and is pending in Senator WHEELER's committee in the Senate. The measure would amend the Interstate Commerce Act to permit railroads, in order to meet water competition, to charge lower freight rates over a long haul than over a short haul on the same line. The act at present forbids this.

As a matter of fact, the reference should be to H. R. 3263, the Pettengill long- and short-haul bill. I am very glad to say that I cooperated with the able Representative from the Hoosier State in getting that bill through the House.

Mr. Chairman, I ask unanimous consent to revise and extend my remarks, and to include a short letter that the gentleman from Indiana [Mr. PETTENGILL] wrote me in connection with this measure.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The letter referred to follows:

Hon. WILLIAM A. PITTENGER,
Member of Congress, House Office Building.

DEAR PITTENGER: I want to thank you for the splendid support which you gave to the long- and short-haul bill. In doing so you gave distinguished public service, not only to railway workers and those engaged in the production of railway equipment but also to the business and shipping interests of the district and State which you so ably represent.

So far as I am aware, this is the first bill since 1887 designed to place railways on terms of competitive equality with other carriers and reduce freight rates and distribution costs between producers and the great consuming centers of America.

Again with appreciation,
Sincerely yours,

SAMUEL B. PETTENGILL,
Member of Congress.

Mr. BACHARACH. Mr. Chairman, I yield 15 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, this bill is to me the most revolutionary step which this country has taken, from the standpoint of an economic program or economic procedure, since the creation of the corporate entity. I enjoy working with and working on technical data and technical regulations, and this bill is technical. Simplicity was forgotten when this bill was drawn. It has complicated the making of corporate tax returns beyond the wildest dreams. I feel that this tax bill is the answer to the prayers of technicians in law, in tax procedure, in accounting, and in finance. As I read the bill and try to understand it, the corporation managements of the country will from now on, so long as this bill is in force, have to depend upon learned men in those fields I have just mentioned to assist them in managing the affairs of their corporations, whether large or small.

Everyone knows that the Members on both sides of the House have had very little time to analyze and comprehend what this bill covers; therefore, any statement that any Member not on the committee may make is subject to question until verified by careful research and study or by some Member of the committee. If any statements I make seem out of line, I hope some Member of the committee will correct me; and if I am thinking in the wrong direction, I hope someone will change my line of thought.

In going back and attempting to find where the philosophy of this bill originated, I found this book I hold in my hand, and which I secured in 1933 shortly after its publication. The name of the book is The Industrial Discipline, by Rexford Guy Tugwell. On page 208 I find three short paragraphs which, I think, deal specifically with this bill. Mr. Tugwell is here discussing the question of the allocation of capital and says:

> To meet this problem it is frequently suggested that a tax be imposed on funds, over and above replacement, which are kept for expansion purposes. If taxation forced these funds into distribution as dividends, they would have to seek reinvestment through the regular channels, and a concern's plans for expansion would be subject to check in the investment market. It might be said incidentally also that a salutary check upon present practices in issuing stock dividends and concealing earnings for manipulative purposes would follow. Once all funds were forced into the investment market, however, some other means of supervising their uses would be needed. This might be done through the Federal incorporations of businesses. For new capital issues, then, revision of original charters would be necessary.
>
> If funds were thus forced into the open investment market, and if there were control of new capital issues, the problem would be as adequately met as seems necessary to the advocate of the general idea. For funds from the other sources we have mentioned—individual savings, investment trusts, insurance companies, savings institutions, etc.—would come into the investment market in any case. There is no danger from self-allocation in these. The revenues of the Government are also normally subject to public supervision for expenditure. They might be better used than they have been in the past, to regularize industrial activity; but this is not a question of breaking ground for a new policy. It will be seen, then, that the control of investment is not so complex a matter, at least in principle, as it might at first seem. The principles involved would be only two: the forcing of all investment funds into an open market and the regulating of new capital issues. Neither of these seems impossible if we grant (1) the substitution of Federal for State incorporation, and (2) the correctness of using the taxing power to force surpluses into the market. The scheme is recommended as eminently practical by those who put it forward; certainly it would have far-reaching effects; it rests, however, upon an extension of Federal authority upon which we have, until now, been unwilling to venture.

Now, in my own simple way I take this statement from Mr. Tugwell's book as the basis for H. R. 12395, because, as I read this bill, questions of this type come into my mind. Why was the modern corporation created? How was it created? What motivating influence was back of its creation? Why did our people accept it? What caused its rapid growth? Is it responsible for the American standard of living or level of individual possessions having risen above that of any other race of people in the history of the world? What part does the creation of the modern corporation have in causing you or me in our desire to be in a liquid state or condition financially to take our savings and invest them in the bonds and stocks and debentures of the modern corporations which are listed on the stock and bond exchanges of the country and is it good that we thus invest our funds?

This tax bill, as I see it, strikes directly at the economic procedure and the industrial practices which have grown up in this country as a result, and by and through the modern corporation. This tax bill leads me into this realm. I take and check the amount of our estimated national wealth which we have invested in bank deposits or credits, which we have invested in stocks and bonds and debentures of corporations listed on our stock exchanges, and which we have invested in cash-surrender values of our life-insurance policies, and I add these things up and find that we have from 25 to 40 percent of our total estimated national wealth invested in what might be termed liquid assets, which in theory can be reduced to cash at any given time.

Now, I cannot take my interest in a farm and place it on the stock exchange and sell it by calling up my broker and saying, "Sell so many shares in such and such a farm." If I put my money in a farm, I am nonliquid. If I put it in the stock of the American Telephone & Telegraph Co., I am liquid. If I have it in bank credits and I can get my money on demand, I am liquid. If I have it represented by the cash-surrender value of an insurance policy, I am liquid. But if I have it invested in something for which there has been no mechanical means of liquidity created, I am nonliquid.

So, as I reason this thing out, I find that the American people have come to the support of the modern corporation, because if it is properly organized and safely managed, its stocks can be listed on the stock exchanges of this country and therefore the owner of shares of stock can at any time he so desires, in the absence of a panic or an economic washout, make himself liquid, insofar as his investment in that modern corporation goes.

Then, going on with this bill, I tried to see what effect, if any, good or bad, this bill will have on the operations of the modern corporation, the stocks and bonds of which are held by the people of this country who desire to be in a liquid position, and I get into a study something like I have here very quickly and roughly illustrated by the chart which I now present. If I had had more time I would have had these charts completed and they would have been much more intelligible than they are, but the chart I have will illustrate my point.

We will take the United States Steel Corporation, and we find that at December 31, 1934, it had a surplus of $528,000,000. At December 31, 1935, it had a surplus of only $252,000,000. Its operations for 1934 resulted in a deficit of $21,667,000. Its income in 1935 was $1,146,000.

I find that it paid dividends to the full amount in 1934, and to the full amount in 1935.

I very much desired to extend this study to show what happened in this particular corporation between 1929 and 1935, with reference to increase or decrease in surplus, incomes or deficits, dividends paid, and the debt structure, because as I read this bill it strikes directly, and deeply, into all operations which have to do with the financial management of corporations, whether with incomes of $10,000 or

less or $10,000 or more. So, as an illustration, here within 1 year a corporation's surplus shifts, and without carefully analyzing the report, wherein an accountant could easily dig out the cause of this, within 1 year the surplus shifts from $528,000,000 to $252,000,000, which no doubt is caused by a cleaning up of corporation adversities which took place between the beginning of the economic washout of 1929 and what happened at the time they started out of the deficit period.

Any sound management, if they are dealing with bankers, are very reluctant in a period of depression to debit their surplus accounts with extraordinary losses, because if they do that the banker says, "Well, we cannot handle your paper", or the investor says, "Well, I cannot take that paper unless you double the interest rates." So it would be very interesting to extend the figures on this chart for a number of years and explore into what might have happened to the United States Steel Corporation's operations for the period 1929 to 1935, both inclusive. Taking this tax proposal and applying its provisions to the operating results of corporations like United States Steel, the American Sugar Refining Co., the Great Western Sugar Co., the General Foods, General Mills, American Telephone & Telegraph, would all lead us into most interesting discussions with regard to this staggering program which we are about to adopt.

Mr. Chairman, after taking this tax proposal and applying it to actual results of operations of these larger American corporations, it would be just as enlightening to make an application to the operating results of the 43,000 other corporations which return net income in excess of $10,000 annually. Admitting that I have had very little time in which to explore the bill and make applications, I am sure that in scores of cases the direct result of the administration of this bill in its present form will be the financial death of scores of these corporations and thus move us more swiftly and completely toward a greater monopolistic control of American industry and commerce. A reference to the several volumes of Moody's Industrial Reports, which I have here on the table, will furnish numerous examples, I am confident, of the exactness and correctness of my statements. With the varying industrial, financial, geographical, seasonal, and credit conditions which exist throughout this land, how anyone familiar with the operating problems of the modern corporation can come to the conclusion that a "strait jacket" in the form of this tax bill is good for the "general welfare" is more than I can understand. It is my firm opinion this tax measure cannot be adapted to these corporate problems without creating havoc in fabrication, transportation, marketing, and financing.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. VINSON of Kentucky. Before the gentleman leaves the first pages of the charts it is evident—the gentleman's figures being correct, and I assume them to be—that in 1934 the Steel Co. paid no income tax under existing law.

Mr. CRAWFORD. That is right.

Mr. VINSON of Kentucky. And in 1935 if the proposed law were in effect they would pay no income tax?

Mr. CRAWFORD. That is correct.

Mr. VINSON of Kentucky. In other words, paying out in dividends more than the net income there would be no corporate tax?

Mr. CRAWFORD. That is correct.

(The time of Mr. CRAWFORD having expired, he was given 5 minutes more.)

Mr. BACHARACH. Will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. BACHARACH. It is true, as the gentleman from Kentucky says, but the persons receiving the dividends would have to pay the tax on their dividends.

Mr. VINSON of Kentucky. Under the existing law, if they are in the surtax brackets they pay taxes. Under the proposed plan they would pay the normal tax in addition thereto.

Mr. BACHARACH. We are not talking about "ifs", but I say that every person under the proposed law would have to pay the tax.

Mr. CRAWFORD. Now, the $7,205,000 came out of the surplus which was accumulated in prior years, while, in my opinion, this tax law will have more to do in preventing the accumulation of a surplus than anything that has ever been done to corporations in the way of Federal legislation. In this I may be mistaken; but if so, I trust the debate following will show wherein I am in error.

Now, let us take the American Sugar Refining Co. In 1911 their surplus was $21,000,000 and the income $14,000,000. In 1915 their surplus was $16,000,000 and the income $6,000,000. In 1921 there was a deficit of $586,390. In 1932 the income was $11,354,000, while in 1935 the income was $5,258,000, and my objective in showing these figures is to illustrate the great variation of operating results; to show the ebb and flow of earnings and losses; to show the increase and decrease of debt as we see it here rise from $3,415,000 in 1911 to $4,000,000 in 1915, and then to $35,470,000 in 1921. At that high point it was necessary for the corporation to make arrangements for new financing, but before accomplishing that the debt rose to $40,710,000 in 1922, and we find then a bond issue of $30,000,000 reflected in the balance sheet. That means bankers had to be consulted. Investors had to be found who would take the bonds. Interest rates had to be agreed upon. Commissions had to be paid. Prospective earnings had to be projected and a general tightening of belts all the way around was necessary. Often in such cases new managements are brought into the seats of the corporation. At such a time it would, no doubt, be absolutely disastrous if the corporation had to deal with a tax measure such as we are here considering in addition to all the other problems which such a situation would present.

In 1936 the outstanding corporations which paid dividends—I mean corporations which have 1,000 to 10,000 stockholders, the difference between 247,000 corporations and the 214,000 corporations.

Mr. COOPER of Tennessee. If the gentleman will allow me, that was a misprint. It should be 257,000 corporations, and those were the ones making an income-tax return.

Mr. CRAWFORD. Two hundred and fifty-seven thousand corporations making tax returns with an income subject to tax. Then there are 214,000 which have incomes of $10,000 or less. So the difference between the 214,000 corporations and the 257,000 corporations making returns is a small group made up largely of representative corporations that have thousands of stockholders, and here is a situation where you get the picture. What happens? Dividends drop to $3,000,000. The debt in 1911 is $3,000,000; in 1915, $3,999,000; in 1921 it jumps to $35,000,000; in 1935 it was paid down to $5,000,000. Where would that debt be today if a bill of this kind had been in operation, and how could they have liquidated this indebtedness that accumulated in 1920, 1921, and 1922? Within the short period of only 3 years a staggering debt increase of, roughly, $37,000,000 is built up simply because the corporation ran into an economic storm no management could foresee.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. BACHARACH. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. Yes.

Mr. VINSON of Kentucky. In regard to your 1935 year, see if I have the figures correct. Your income is $5,000,000 plus and your dividends $4,000,000 plus. Under the proposed plan I submit to the gentleman that the rate of tax would be 6 percent upon the income of $5,000,000 plus, or $300,000, whereas under existing law the tax would be substantially $800,000.

Mr. CRAWFORD. Yes; but the point I am bringing out is during the great fluctuations in income and losses great cushions are needed in the way of accumulated reserves. I grant the tax would be about $300,000, instead of $800,000 under the present law, but in order to accomplish that result you must pay out in dividends 80 percent of your earnings. You are whipped into a living torment as you gaze at the percentage table, and this leads you into the unsound and de-

structive practice of dissipating all earnings in the form of dividends and leaves you without a cushion when the rainy day comes, and that is very bad. To escape the tax penalty you comply, and in that compliance you commit economic suicide.

Mr. VINSON of Kentucky. The gentleman must recognize, however, that when we take the difference in the tax under existing law, $800,000 plus, and the tax under the proposed plan of $300,000, you have a difference of $500,000 less tax for the year 1935, which can be added to surplus—$500,000 more than under existing law.

Mr. CRAWFORD. But the thing I have in mind all the time is where these large corporations have large incomes over and above their dividend payments, 57½ percent of that is going to be put into the tax box, and if it goes into the tax box you cannot build up corporate resources to take care of wash-outs.

Let us go to another sugar company. Here is something that will be interesting to the gentleman from Colorado. These figures are not confidential, because I take them out of Moody's industrial books, and they are public information. Here is a company that has a liquid surplus in 1930 of $30,000,000, in 1935 of $25,000,000. Income in 1933 of $2,500,000, in 1934 of $6,414,000, and in 1935 of $5,761,000. Dividends were paid every year. There is a debt, $823,303, in 1933, and in 1934 a debt of $936,788, and in 1935 a debt of $861,939. The running debt runs about constant, because all funded debt of every nature is absent on account of the liquid surplus. The management would be foolish to carry a debt with such a reserve of liquid assets. It does not carry a debt except running normal expenses. On the same street in the same town there is another company engaged in a similar line of business. They have a debt structure in the form of bonds, debentures, and acceptances several times the amount of their surplus. This second corporation is not blessed with a soft cushion in the form of a large surplus in liquid form. Before its management is the rocky road of the new tax proposal. Over it they must travel, and as they build that surplus or reserve sufficiently to meet a great operating problem such as they have just worked out of, staggering taxes must be paid on the portion to be carried to surplus. Corporation no. 2 gathers its raw material from the same State no. 1 draws its from. No. 2 sells its finished product in the same geographical territory, and its operating conditions in field and in factory are very similar to those of corporation no. 1. In the event of a series of bad years, it does not require two guesses to draw a conclusion as to what will happen to corporation no. 2. A tax proposal which imposes such burdens upon corporation no. 2 drives directly into a greater and greater control of American industry by the monopolistic tactics of strongly entrenched capital structures and corporate managements. Such a program can only lead to a heavy mortality among those corporations which at the beginning of this new type of race are not blessed with a reserve cushion in behalf of which they have not been heavily taxed.

In my opinion, this tax bill will certainly drive one company to bankruptcy and thereby turn the entire situation over to this strongly entrenched company, which has heretofore accumulated its surplus and is today in a liquid position, with all dividends paid and no debts of consequence. So I say that this bill is an indirect support of the creation of greater and greater monopolies and a direct death-dealing blow to corporations with debt structure and with nonliquid surpluses, in spite of the fact that it does give some relief from tax when debts are amortized.

I have many other figures here. Take the American Telephone & Telegraph Co. I was very anxious to go into that. I make some reference to it. As an illustration, in 1934 the dividends which the American Telephone & Telegraph Co. paid were $167,000,000, while its earnings were only $121,000,000. In 1935 the earnings were $125,000,000, while the dividends paid amounted to $167,000,000. Surpluses in each year being reduced by excess of outgo over income. And yet, Mr. Chairman, the claim is too often made that the large corporations withhold dividends from their stockholders. Too, the claim has been made that this bill is necessary to force large corporate enterprises to pay dividends. I do not believe the record will support such arguments. Granted, there are a few closely controlled corporations which attempt to circumvent or evade or avoid payment of taxes. But I ask, Is it necessary to pass such a destructive tax law simply in an attempt to make those few corporations conform; and especially do I ask why we should take a step like this before first reducing expenditures to the very minimum, and thus attempt to encourage industry and savings and bring the expenditures of Federal Government within the present national income derived under present tax laws?

So these are the reasons why I made the first observation that, in my opinion, this tax bill is the most revolutionary corporate taxing step we have taken in this country since the creation of the corporate entity, and my prediction is that it will bring about great dislocation of investments. It will greatly embarrass those who are now in charge of corporations; it will prevent others from going into business, creating industry and giving employment.

Mr. Chairman, the bill, in my opinion, tends to defeat the objective of all legitimate business enterprise. The Nation's business structure is not prepared for this blow at this time.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. CRAWFORD] has again expired.

Mr. BACHARACH. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, I realize that the hour is getting late. It is now 4:30 and probably only 40 Members of the House of Representatives are present, one-tenth of our number. I presume the membership of the House is well acquainted with this bill and it is not necessary for most of them to spend a lot of time trying to digest it. That is not the case with me. The bill is just off the press, but I rise at this time primarily, Mr. Chairman, to answer the question of the majority leader [Mr. BANKHEAD], propounded earlier this afternoon. If I have time then I want to make some statements with reference to the tax bill.

The first defense of this tax bill was given to us this afternoon by the chairman of the Committee on Ways and Means [Mr. DOUGHTON] when he said the object of the present tax bill was to try to equalize taxes, giving an illustration of a partnership, wherein they would have to pay such great taxes under the present law, and there was such an injustice to them in comparison to a corporation. I want to say to the gentleman from North Carolina that I was a member of a copartnership up until 1930, and I realized the inequality and the injustice in taxation, so there was only one thing for us to do and that was to incorporate our business so that we could have the same manner of justice that corporations enjoyed.

I would suggest to the gentleman from North Carolina that if anyone who is in a partnership feels that there is an injustice to his business because of the fact that he is engaged in a copartnership, there is one thing he can do to get relief, and that is to incorporate his business. There is no reason why any business, regardless of what it may be, legal or any other manner of business, that cannot be incorporated, it would be a poor lawyer who would not so advise his client.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. RICH. I am not going to yield now, because I only have 15 minutes, and I probably cannot get any more time. It is hard for me to get time. There is no one in this House for whom I have greater respect than the gentleman from North Carolina, and I should gladly yield if I had time.

I am going to refer now to the statements made this afternoon by the majority leader [Mr. BANKHEAD]. I asked him a question about the operation of Government, and whether it would not be wiser for us, as Members of Congress, to cut down greatly our exorbitant expenditures of Government funds, running this Government into the greatest debt it has ever known in all time, rather than to be imposing this tax bill. Always the gentleman from Alabama is evasive. He does not want to answer, and the

membership of this House does not seem to want to answer. Where are you going to get the money? I think when the gentleman from New York [Mr. TABER] gave us information this afternoon, which he did, and which information is authentic, that we could cut $1,200,000,000 from our present appropriation, there is no reason, in my judgment, why the gentleman from Alabama should not make some effort on the part of the House of Representatives to cut down these expenses, and that he and the majority party should help do that, rather than to spend Government funds, much of it foolishly. It is one of the most important points that I want to make right now. I told the gentleman from Alabama [Mr. BANKHEAD] that I would answer his question later on, and this is the answer.

Mr. BANKHEAD. Mr. Chairman, will the gentleman yield?

Mr. RICH. I want to yield to the gentleman, but if I finish my statement I will yield. If they will give me a little time, second to the gentleman from North Carolina [Mr. DOUGHTON], I will yield to the gentleman from Alabama. I said I would yield to the gentleman from North Carolina first.

Mr. BANKHEAD. I only had 15 minutes, and I yielded to the gentleman from Pennsylvania.

Mr. RICH. Let me finish my statement and I will certainly yield to the gentleman from Alabama. The gentleman from Alabama then went on with the statement that is made so many times in the House of Representatives, as if we on the Republican side were only trying to conserve money and put it into the hands of a few people and let the great mass of people go hungry. Now, God forbid that we on the Republican side would have such hearts of stone. I do not know that the gentlemen on the Democratic side of the House are more desirous of trying to take care of the needy in this country than myself and the other Members on the Republican side. I believe in humanitarian principles. I believe in the Golden Rule and try to practice it. I do not think we could pass a more equitable tax law than one based on the proposition that the more a man makes the more he ought to pay. I am in sympathy with that principle, and no one will do more to put it into effect than I will. So when we hear that the great expenditure of Government funds has all been to take care of the needy, after we hear so much about the great extravagances under the W. P. A. and the P. W. A. and other agencies set up by Executive order, I wonder whether it is all made to give bread to the starving and clothing to those who are cold, or whether it might have sometimes a tinge of politics?

He quoted the president of the United States Chamber of Commerce as saying that business is good. In some lines of business this is so, and a lot of people are back to work. Thank goodness, it is so; but I wonder whether it has been brought about because of the laws passed in the last 3 years or because of the decisions rendered by the Supreme Court. Remember, I do not say this with any desire of trying to tramp on the Democratic administration; I say it because I am honestly convinced that many of the unconstitutional laws should never have been enacted, and I believe now the majority of the Members on the Democratic side of the House agree with me in this statement.

I shall quote now a statement not from the president of the United States Chamber of Commerce, but from the President of the United States, Mr. Roosevelt, in a speech made in Pittsburgh on October 19, 1932. I quote:

> Taxes are paid in the sweat of every man who labors, because they are a burden on production and can be paid only by production. If excessive, they are reflected in the idle factories, tax-sold farms, and hence in hordes of hungry tramping the streets seeking jobs in vain. Our workers may never see a tax bill, but they pay in reduction from wages in increased cost of what they buy or, as now, in broad cessation of employment. There is not an unemployed man, there is not a struggling farmer whose interest in this subject is not direct and vital.

I thought those words were sound when they were uttered by the President, and I think they are just as sound today. I congratulate the President on making that statement, and I do hope he will take to heart today these words he uttered in 1932. What has been the result? He says one thing and does another.

We know the operation of this Government is going to be successful only insofar as we operate it for the benefit of the people and operate it economically. It is a business, a great business, the biggest business in all the world. How much thought and how much time are we giving to the fundamental principles of Government operation? Are we thinking of the application of real, true business principles to the operation of the Government, or are we thinking of trying to operate the Government only from the political standpoint? If we are trying to operate the Government from the political standpoint only, then possibly you are making a success of it; but I cannot agree that we are applying sound business principles to the operation of Government and operating it for the good of the American people. When the Democrats took hold of the Government in 1932 there were 61 major departments the taxpayers were supporting. Since that time 41 new major operations of Government have been added, notwithstanding your promise to cut them down in number and consolidate departments. Now, get this point, that every time we increase our functions of Government they become larger and larger and each succeeding year it is more difficult for us to cut down expenses. Expenses always increase, because we add new enterprises and adopt new thoughts and new ideas, and these new activities and the people running them ask Congress for greater appropriations each year. It is like a snowball rolling down the mountain, it gets larger and larger the farther it goes.

So with the Government departments; they become greater and greater as time goes on, require larger personnel and greater annual expenses. It was shown here this afternoon by the gentleman from New York [Mr. TABER] that before the annual appropriation bills are finally passed by the House of Representatives the departmental estimates are going to be increased by almost $1,000,000,000 over what was granted them a year ago. Why, it is an astounding figure! Mr. Chairman, we ought to give as much time trying to cut down the expenses of government—more time, I should say—as the 4 or 5 days we shall sit here trying to raise six or seven hundred million dollars. When the conference reports come up for consideration, however, the leaders of the House say to us: "Here is the conference report; now you must agree to this conference report. This is what we want to enact into law." And recently without any consideration beyond a probable 5 or 10 minutes you voted to add sixty or seventy millions of dollars to an appropriation bill already passed by the House. Is this a sensible, sane thing for us to do? Think it over and call the Members of this House together and give them an opportunity when these conference reports come in to cut down these great expenses.

[Here the gavel fell.]

Mr. BACHARACH. Mr. Chairman, I yield 3 additional minutes to the gentleman from Pennsylvania.

Mr. RICH. I see I shall not have time to talk on the tax bill very much, although I should like to. It has been said here this afternoon that this tax bill is simple. I read from page 16, beginning in line 3, and then shall ask if any of you know what it means, even after you study the chart and all:

> If the undistributed net income is a percentage of the adjusted net income which is more than 10 and less than 20 (and such percentage is not shown in the foregoing table), the tax shall be a percentage of the adjusted net income equal to the sum of 1, plus one-fourth of the amount by which the percentage which the undistributed net income is of the adjusted net income exceeds 10.

It is my opinion that if I were to ask each of the 435 Members of this House when they figure out their corporate income if they know what it is all about, they would not. I have studied it, I have thought about it, and I do not know whether I know what it is about, I must confess. Do you?

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. RICH. Not now.

Mr. VINSON of Kentucky. I want to help the gentleman out of his embarrassment.

Mr. RICH. Mr. Chairman, I decline to yield.

Mr. Chairman, I am not going to have time to talk at great length on the merits or demerits of the bill; but before I yield the floor permit me to say that I cannot see the difference between a banking institution or insurance company which you permit to be exempt from the taxes you now propose and the manufacturing concern. The difference, as I see it, is that the banker looks after the depositor's money and then tries to make some money to pay to the stockholders of the institution. If anything happens to that bank, you Members who wrote this tax bill know that not only the stockholders of the bank but the depositors also are going to lose.

The depositor is an individual who has accumulated something by thrift, by saving, and through hard work. God knows we ought to protect him if possible. It is decided now in order to protect him we are going to let the banking institutions create a surplus.

[Here the gavel fell.]

Mr. BACHARACH. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. RICH. Mr. Chairman, the Congress wants to protect the banks now. The difference between a bank and a manufacturing establishment is that the manufacturing establishment gives employment to labor. If we are going to wreck the manufacturing establishment because it cannot create a surplus, we are going to wreck the employers of labor. I know this tax bill is going to do away with surpluses, insofar as people can get away from paying taxes, because nobody likes to pay a tax, but if we wreck the business institutions of this country then we wreck the business establishments that provide jobs to labor, which creates earning power for the people to live on, we kill some of the great institutions that made this country.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 3 additional minutes, if he will yield to me.

Mr. RICH. Mr. Chairman, we kill industry and we take away the jobs, the very things we want to create. The Department of Labor states that there are at the present time 12,000,000 men out of work. If you want to regulate industry today, govern mass production, and those 12,000,000 people will go back to work, and we will not have this national deficit. The gentleman from Alabama [Mr. BANKHEAD] asked me this afternoon about the six and a quarter billion dollars spent during the Hoover administration. That was the spending that turned the tide of the depression.

In the past 3 years the present administration has spent $12,000,000,000, more than twice as much. It may be said that it is only ten billion, but there are $2,000,000,000 not shown on the financial statement that I hold in my hand, issued by the Treasury Department; therefore the present administration is $12,000,000,000 in the red. Mr. BANKHEAD, you see you were twice as extravagant. More than 100 percent; think of it.

Mr. Chairman, I now yield to the gentleman from North Carolina [Mr. DOUGHTON].

Mr. DOUGHTON. The gentleman is aware of the fact that those doing business in the form of corporations have the advantage, so far as tax matters are concerned, over those who do business as partnerships. They can obtain relief through incorporation. But how about the individual, what would the gentleman do with him?

Mr. RICH. Let him take his wife and daughter and the three people organize a corporation. That is all that it is necessary for him to do under our laws, and we must obey the laws.

Mr. DOUGHTON. Where are you going to get the money? The gentleman wants more money, yet, under the plan he suggests, we would get less money, so he contradicts himself coming and going.

Mr. RICH. Oh, no; I do not.

Mr. DOUGHTON. They pay more as partnerships. The gentleman wants to know where they are going to get the money.

Mr. RICH. I was only trying to help the gentleman to satisfy the other fellow that is in the hole.

Mr. DOUGHTON. I am already out.

Mr. RICH. I say stop spending money! That is the place to raise the money, and if we do that we will be doing a good job, and you should help us stop our extravagant spending.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from New Jersey [Mr. KENNEY].

Mr. KENNEY. Mr. Chairman, our rehabilitation expenses have been staggering in their proportions. They were brought about not by choice but through crucial necessity. I have heard the gentleman from Pennsylvania say many times, "Stop spending money", just as he has today. Then I have heard him ask for more money for flood relief in his region. I have heard other gentlemen on the other side say, "We can reduce expenditures by so many millions here and so many millions there", but not one of them tells us what to discontinue or what to stop. On the other hand they have asked for an increase of expenditures for their emergencies. Again the gentleman from Pennsylvania [Mr. RICH] asks repeatedly, "Where are we going to get the money?" This tax bill is his answer. Of course, he does not like the answer. Nor do I. However, we have something to be thankful for. We find missing in this bill the processing taxes that were heralded. I have no quarrel with the windfall tax because no one should unjustly enrich himself. But I do not favor the corporate surplus income tax because it is unnecessary.

Mr. Chairman, I hesitate to approve of the Government extending a heavy hand—a heavy tax hand—upon the business of the country. When the Government goes to business for its revenues, it ought to extend its hand lightly and not heavily, because when the Government intervenes in business inordinately it becomes a burden upon business and the country generally.

The gentleman from Pennsylvania in the course of his remarks said he believes in the principle that the man who makes the most should pay the most. That is not refuted; but the principle has been superseded by the practice during late years of the men who make the most paying the least or nothing at all. So the Congress undertook by a tax bill that is still young to cure that situation and to make all pay more—individuals, corporations, everyone.

You say the tax revenue from this bill is not enough. New exigencies arose, and now we have brought in here again another tax bill, this bill designed primarily to reach corporate surpluses. Even while it is in the making it is said this bill will not be sufficient to raise the amount of money that it is intended to raise; that next year we may expect another tax bill.

Oh, how long will this Congress continue to reach out and tap—and when you tap you sap the economic resources of this country. None of us want to dry up the resources, the bulwarks of our institutions. Neither do we wish to discourage employment. Better for business to employ our people than have our Government do it. Business can do it more satisfactorily and to better advantage. What effect the bill will have on employment is uncertain. But if we are to have the bill, then we ought to make it attractive for business to absorb the unemployed. To this end I would propose an amendment to section 23 of the bill granting an exemption from the taxes to be imposed of such corporate surplus income as should be the equivalent of all money paid out to new employees engaged on and after the date of the passage of the bill, with a limitation that the exemption not exceed 20 percent of the current pay roll and that the production of the plant be not increased over 5 percent.

If the House will harken to me, Mr. Chairman, the membership cannot help but feel with me that this tax bill is not at all necessary. The object of it is to raise approximately $1,000,000,000. It is for the Committee on Ways and Means

and this House to say how we shall raise it. We can raise the money without resort to taxation. We can get the money from contributions—voluntary contributions—from all the people without hardship on anyone. We can strike out the enacting clause of this bill abandoning this corporation surplus income-tax measure and take up and pass my bill for a national lottery, which will give us the billion we seek.

With triple loads of National, State, and local taxes bearing down on our people, why do we not consider the efficacy of the lottery? Why do we not go back to the period before we had any tax system of our own?

Take, for instance, the time when we were engaged in the great Revolutionary War. When money was scarce and hard to get and insufficient to carry on the war George Washington fostered the lottery as a means to the end that we might become a free and independent people. He prevailed when the Continental Congress, in November 1776, adopted its historic resolution providing that the funds for the next campaign should be raised by lottery to be drawn in the city of Philadelphia.

When the war was won Alexander Hamilton, the first Secretary of the Treasury, proclaimed that having won our political independence we should forthwith establish our economic independence. As his contribution he proposed that we instruct our people in useful manufactures and pass effective legislation in their aid. His objectives were to supply the domestic market by means of a protective tariff and to follow through with a bid for world trade. Interesting important men of that time, he selected the northern part of my State as the center of industry of our country, causing to be incorporated under the laws of the State of New Jersey the Society for Useful Manufactures, a corporation which is still in existence, proposing for it the power to conduct a lottery to raise not over $100,000 in any one year. Hamilton, in referring to his plan, said the lottery would give a ready command of money—and there is no question about that from our present-day experiences—and would make up for first unproductive efforts—deficits.

Our experts now are engaged to provide against deficits, and if we ponder sufficiently we shall find that the aristocrat of all deficiency measures, all emergency measures, has been and still is the lottery, for the lottery, when conducted by the Government, is nothing more nor less than a voluntary contribution on the part of the great body of the people ready and willing to make a gift to their Government in an emergency, and the emergency of a huge national debt and annual outlay is still with us. A national lottery in this country will make unnecessary any harm that may come from the enactment of this bill, and no tax bill can be passed which will not work hardship on some.

Of course, it might not be amiss to tax great surpluses that make our business houses gigantic banks, but the process will in some degree clamp down and crack down on the backbone of the country's ordinary business, placing a burden upon business and the Nation.

Let me now remind this Congress, Mr. Chairman, that when the First Congress was called into session it had no meeting place. In the public dilemma the city of New York hospitably invited the Members to meet in the metropolis. So that they might have suitable arrangements and accommodations, the city improved and remodeled the city hall. As a result the city was faced with a deficit of £13,000, a huge amount of money in those days, and far beyond its power to pay. It could not be raised from ordinary sources, so the city went to the State legislature and secured permission for the operation of a lottery, which it conducted, and from its proceeds quickly paid its bill.

Again, when it was undertaken to construct the first buildings in the District of Columbia, this Congress gave the city of Washington the power to conduct a lottery for the purpose. That was in 1795. Washington was President and John Adams was Secretary of State. When the buildings were dedicated in 1800, John Adams, then President, praised in glowing terms the virtues of the citizens of the country who by their lottery participation had made possible the nucleus of this great Capital.

O Mr. Chairman, do you know that at the present time our people are participating in lotteries more than ever before in the history of the Nation. Between three and six billion dollars a year flow into channels that do not come within our economic realm, and if we are going to tap and harness any funds to meet our expenses, let us go beyond the economic sources, already strained, and harness and garner the moneys that are being lost to our country, our Government, and legitimate business, and make them serve our economic purposes.

Our lottery moneys are now going into the hands of racketeers and organized criminals at home or are finding their way to foreign countries. Billions are involved—billions. Let us reflect, too, on the fact that every form of government in the world has in operation a lottery conducted by or under the auspices of the government for worthy and needed purposes.

Yet we are standing idly by failing to take cognizance of the large, huge amounts of money that are passing from us when they are so necessary for the welfare of our own people.

The people of this country are ready and willing, as in all crises, to contribute small amounts of money which will aggregate a billion net to the Government for the purpose of surging forward on the road of sound economic recovery.

Business has gone ahead. It is ready to make further strides. We must not load it down with excessive taxation. Let us rather lighten the load. We have made great progress. Business is cooperating more and more every day. This cooperation is slowly but surely lifting the load of the Government. Let us give business another hand; let us reach out for the huge treasure of lottery moneys to help with the burden; let us recommit this bill and vote the national lottery bill, and thus raise the revenue sought by this bill, bringing into the economic realm the billions of dollars lost to us yearly to be employed for the economic use and welfare of our people. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WARREN, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill (H. R. 12395) to provide revenue, equalize taxation, and for other purposes, and had come to no resolution thereon.

COINAGE OF 50-CENT PIECES FOR GREAT LAKES EXPOSITION

Mr. COCHRAN. Mr. Speaker, I reported a bill from the Committee on Coinage, Weights, and Measures authorizing the coinage of 50-cent pieces for the commemoration of the centennial celebration of Cleveland, Ohio, to be known as the Great Lakes Exposition. It is an emergency measure, and I ask for its immediate consideration.

The SPEAKER. The Clerk will report the title.

The Clerk read the title as follows:

S. 4335

An act to authorize the coinage of 50-cent pieces in commemoration of the centennial celebration of Cleveland, Ohio, to be known as the Great Lakes Exposition.

The SPEAKER. Is there objection?

Mr. RICH. Reserving the right to object, I would like to ask my colleague from Missouri how many of these new coinage bills are going to be brought into the House, and why do not they get together a dozen and put them on one bill?

Mr. COCHRAN. If the gentleman will agree to it, as far as I am concerned I would be very glad. Members on both sides of the aisle ask that these bills be reported out, and we have reported them. This exposition is to be held this year, and the gentleman from Ohio [Mr. CROSSER] says that if we do not get the authority to print the coins now it will be useless.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read the bill, as follows:

Be it enacted, etc., That in commemoration of the centennial anniversary in 1936 of the city of Cleveland, Ohio, to be known as

the Great Lakes Exposition, and to commemorate Cleveland's contribution to the industrial progress of the United States for the past 100 years, there shall be coined at a mint of the United States to be designated by the Director of the Mint not to exceed 50,000 silver 50-cent pieces of standard size, weight, and composition and of a special appropriate single design to be fixed by the Director of the Mint, with the approval of the Secretary of the Treasury, but the United States shall not be subject to the expense of making the necessary dies and other preparations for this coinage.

SEC. 2. The coins herein authorized shall bear the date 1936, irrespective of the year in which they are minted or issued, shall be legal tender in any payment to the amount of their face value, and shall be issued only upon the request of the treasurer of the Cleveland Centennial Commemorative Coin Association upon payment by him of the par value of such coins, but not less than 5,000 such coins shall be issued to him at any one time and no such coins shall be issued after the expiration of 1 year after the date of enactment of this act. Such coins may be disposed of at par or at a premium by such Cleveland Centennial Commemorative Coin Association, and the net proceeds shall be used by it in defraying the expenses incidental and appropriate to the commemoration of such event.

SEC. 3. All laws now in force relating to the subsidiary silver coins of the United States and the coining or striking of the same, regulating and guarding the process of coinage, providing for the purchase of material, and for the transportation, distribution, and redemption of coins, for the prevention of debasement or counterfeiting, for the security of the coins, or for any other purposes, whether such laws are penal or otherwise, shall, so far as applicable, apply to the coinage herein authorized.

With the following committee amendments:

Page 1, line 9, after the word "not", insert "less than 25,000 and not."

Page 2, line 12, strike out the word "five" and insert "twenty-five."

The committee amendments were agreed to; and the bill as amended was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

HOUR OF MEETING TOMORROW

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection?

There was no objection.

THE FARM-TENANCY SITUATION

Mr. UTTERBACK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the subject of the farm-tenancy situation.

The SPEAKER. Is there objection?

There was no objection.

Mr. UTTERBACK. Mr. Speaker, I want to call your attention to one of the most serious problems confronting American agriculture today. It is the problem of farm tenancy. According to the 1935 Census of Agriculture about 42 percent of all the farms in the United States were operated by tenants, and, in addition, approximately 10 percent more of all farmers in the country rented a part of the land which they farmed. When we total up the figures we find that more than half of our farmers rent all or part of their land, and almost half of all the farm land in the country is operated under lease. Agriculture has long been considered to be one line of endeavor in which the ownership of the land and capital was in the hands of the man running the business, but, as these figures clearly show, this situation is no longer true in America. The number of absentee owners of farms has become practically as large as the number of owner-operators.

This situation is not a thing that has developed during the depression; it is not a new or an emergency development. However, it is true that farm tenancy has been increased by the low farm prices and incomes of the last few years, and that some of the most undesirable features of the farm-tenancy situation have come to light during the depression. On the whole, however, the gradual increase of farm tenancy has been with us for many decades. In 1880, which is the first year in which census data became available showing the number of farm tenants in this country, we find that slightly more than 25 percent of all our farmers were tenants. With the passing of each decade since then there has been an increase in the number of farms operated by tenants, and, as the figures which I have mentioned above plainly show, we have now reached the stage where almost half of our farmers are operating without owning the land which they farm. In 1880 there were 4,008,907 farmers in this country. Today there are 6,812,350. In other words, we have had an increase in the number of farms during this period of 70 percent. In contrast to these figures, we find that in 1880 there were 1,025,000 tenant farmers in this country. In 1935 there were 2,865,000 tenants, or an increase in the number of tenant farmers since 1880 of 180 percent.

My colleagues, I want you to hold the following two figures in mind and give them your careful consideration. During the 55-year period from 1880 to 1935, the number of farms increased 70 percent, where during the same period the number of farms operated by tenants increased 180 percent. The tremendous gain in the number of tenant-operated farms as compared with the number of owner-operated farms clearly shows that America is fast becoming a Nation of absentee landowners, with its food and fiber being produced by tenants or landless farmers. This, Mr. Speaker, is in a country known the world over for its great natural resources, for its energetic population, and for its democratic form of government. As I have said, the problem is not a new one, but it has now reached staggering proportions. At the turn of the century 35 percent of all our farmers were tenants, and in 1920, immediately after the prosperous war period, and before the crash which came in the fall of that year, we find that 38 percent of all farmers were tenants, and today over 42 percent are tenants. Obviously this general problem is an important one.

Neither is the problem of farm tenancy a sectional or regional one; it is of Nation-wide significance. Some tenancy is found in every State of the Union. It ranges from 7 or 8 percent in New England to 45 or 50 percent in many areas of the Corn Belt and up to as high as 70 or even 75 percent in certain areas of the South. What is even more important than the present percentage of tenancy is the rate of change in the number of tenant farmers during the past few years. When we turn our attention to the changes in the proportion of farmers who are tenants we find that the increases have been greatest in the Corn and Wheat Belts of the Middle West and in the Mountain and Pacific States in the far West. Let me give you some illustrations of recent changes in the tenancy picture for the general area of the country with which I am not familiar. In my home State of Iowa, for instance, we find from published reports of the census that 42 percent of all farmers were tenants in 1930; 10 years later 47 percent of all the farmers were tenants; and today 50 percent of all Iowa farms are operated by persons who rent all of the land. In the adjoining State of South Dakota 45 percent of all farmers were tenants in 1930, and in 1935 the figure was 49 percent. In Nebraska 49 percent of all the farms are tenant operated. In Kansas and Illinois 44 farmers out of each 100 are tenants. In every one of these States there has been a substantial increase in tenancy during the last 3 or 4 decades.

If we turn our attention to the States farther west, we find there again that tenancy has been increasing. For instance, in Montana only 11 percent of the farmers were tenants in 1920; by 1930 the number had increased to 24 percent of all farmers; and there was a further increase between 1930 and 1935, so that now about 28 percent of all farms in Montana are operated by tenants. In Idaho 29 percent of all farmers are tenants, and there was a very substantial increase between 1930 and 1935. In Colorado 39 percent of all the farms are operated by tenants, whereas 15 years ago only 23 percent of all the farmers in the State were tenants.

I do not want to burden you with more of these figures. These are enough illustrations to show conclusively that tenancy is important in the North and West, and that it is rapidly increasing in these areas. The South has long been recognized as a section where tenant farming is predominant. If we take the average for the 16 Southern States, we find that 54 percent of all the farmers are tenants.

Although there was some slight tendency for the percentage of tenancy in the South to decrease during the 5 years between 1930 and 1935, there are now more tenants in absolute numbers in the Southern States than ever before in the history of the country.

I think I have given you enough figures now to show that farm tenancy is significant and important; that it is found in practically all areas of the country; and that it is rapidly increasing in most of the rich agricultural regions of the United States.

However, merely to show that almost half of our farmers are tenants and that the number and proportion of tenant farmers are rapidly increasing may not be an indication of the real significance of this problem. In other words, to show that something is important does not necessarily indicate that it is bad or undesirable. I believe, however, that I can bring before you a few facts which will convince you that this tremendous increase in farm tenancy is a very serious and undesirable situation for the future of American agriculture. Some people will ask: "Well, what if tenancy is increasing? What if half of our farmers are tenants? What difference does it make? Why is it not all right for one man to own the land and another man to furnish the capital and labor for operating the farm?" These questions are perfectly legitimate ones and deserve some very careful discussion. Each and every one of them has a perfect answer. From practically every aspect the answers indicate that tenant farming is undesirable, and that this country will have a decidedly different rural civilization from what it has ever known before if the rapid increase in farm tenancy continues.

I cannot take the time to discuss each of these questions as it should be considered, but, nevertheless, I can give you, in a very short time, facts of such a nature as to indicate that the leadership of this country had better awaken itself to the increasing trend in farm tenancy.

One of the important evils of our tenancy system is that it leads to a very high degree of specialization in cash-crop farming, which in turn has a tendency to decrease the fertility of the soil through heavy-cropping practices and to encourage erosion. At the same time it adds to the burdensome market surpluses of a few cash crops without giving us a well-balanced and diversified system of farming.

My attention has recently been called to a very splendid article in the Southern Agriculturist by Senator JOSEPH T. ROBINSON, of Arkansas. In this article Senator ROBINSON shows from studies that have been made by agricultural economists of various southern experiment stations that the ordinary farm tenant is much more of a one-crop specialist than is the farming owner. For instance, Senator ROBINSON reports the findings of a study made by the experiment station in his home State of Arkansas of a small cotton-growing community in the northeastern part of that State. This survey indicated that the average farm operated by its owners in that local community had 44 percent of its cropland in cotton, whereas tenant farms lying side by side with the owner-operated farms had 63 percent of their cropland in cotton. He quotes other studies made by the experiment stations in Mississippi, Georgia, and other Southern States, and shows that in every instance the tenant farmer has a greater proportion of his cropland in cotton than does the owner-operator on the same size and type of farm in the same local community.

I do not have the figures at hand to show that this high specialization in cash-crop farming by tenants is true all over the United States, but I am convinced from my observation throughout the Middle West that the situation holds there. In other words, in Iowa and other States of the Corn Belt, the tenant farmer turns his attention primarily to the production of corn. He mines the soil year after year with this one cash crop, and he helps add to the unbalanced condition of agriculture by specializing in this cash-crop production.

There is a good reason, my colleagues, for the tenant farmer being a one-crop man, and this reason is that he has no security—no assurance that he can remain on the farm for longer than the crop-growing season. For instance, a recent bulletin published by the agricultural experiment station of my home State reports on a survey of farms in the southern part of Iowa. This bulletin says in part:

> Of the 59 tenant farms surveyed, 48 of them, or 81 percent, are leased under a 1 year contract without any provision for extension or renewal.

Anyone can readily understand why a tenant farmer, who has no assurance from the landlord that he may stay on the farm for longer than 1 year, will not go into the production of livestock, hay crops, or enterprises other than those which can be planted, cultivated, and harvested during the 1-year period.

The length of time which a farmer expects to stay on the farm is very important in influencing his decisions about his farming practices and also his living conditions. Permanent conservation and the general maintenance of farm buildings, fences, and other structures requires that the occupant of the farm have some stability and security in his tenure. Yet the tenant farmer in this country positively does not have security of occupancy. The latest census figures which are available on the subject of farm occupancy are those from the 1930 census. They show that 51 percent of all the farm tenants in the United States in 1930 had occupied the farm they were on at the time the census was taken for less than 2 years. Almost a third of all the tenants had been on their farm for less than 1 year on April 1, 1930, which was the date of that census.

Now, we have heard a lot during the past year about the plight of the southern sharecropper, and it has been repeatedly stressed in many of the press articles about sharecroppers in the South that they have no security and that they are constantly moving from farm to farm. This may be true, but the fact I want to impress upon your minds is that this insecurity, and this great shifting about from farm to farm by the tenants of this country is not limited only to the sharecropper class of the South. According to the 1930 census, 39 percent of all the tenant farmers in the Northern States had been on the farms which they were occupying when that census was taken for less than 2 years, and almost 25 percent of the tenants in the North had been on their farms for less than 1 year.

Although instability may be a little worse in some areas of the South than it is in other areas of the country, it is not limited geographically, and I know from observation that it is a serious problem in Iowa. Let me quote again from bulletin no. 333, which I mentioned a few minutes ago as having been published by the agricultural experiment station in my home State, pertaining to this survey of farms in southern Iowa. The bulletin says:

> On farms operated for 1 to 2 years by the same man, 42 percent of crop land in corn and an erosion rating of 4.3 are found, as compared with 30 percent in corn and an erosion rating of 2.8 on farms for 3 or more years under the same operator. * * * This illustrates the notorious relationship between a rapidly shifting tenancy and a highly exploitive farming system.

This same bulletin lists 10 main economic and social factors which are obstructive to erosion-control work. Five out of the ten are directly connected with this general problem of farm tenancy. If America is going to conserve its soil, if it is going to have a well-balanced system of agriculture so that the individual farmer is not so highly specialized in the production of a single cash crop that he goes bankrupt with the least decline of prices, then we have got to have more stability and security for our farm operators than can possibly be obtained under our present system of farm tenancy.

The constant shifting about from farm to farm, which is so characteristic of our tenants, and the constant fear on the part of the tenant that he will be forced to move at the landlord's desire, or that his rent will be raised so that he cannot profitably continue his operations, is not only a very serious situation which is detrimental to bringing about the conservation of our soil resources, but it is also very detrimental to the formation of a closely knit social life in the community. Studies by the United States Department of Agriculture and by various State experiment stations have

repeatedly shown that the number of tenants moving from farm to farm tends to prevent the development of good schools, good churches, and cooperative associations. For instance, Dr. L. C. Gray, who is now Assistant Administrator of the Resettlement Administration, in his testimony before a subcommittee on agriculture in the Senate which was holding hearings on the Bankhead-Jones farm-tenancy bill during the last session of Congress, said:

A study in Oklahoma showed that 40 percent of the moves by tenants resulted in a change of school, 43 percent in a change of church, and 39 percent in a change of trade center.

He also referred to a study in the tobacco area of Kentucky, which indicated that the number of pupils leaving grade schools during the year was equivalent to 43 percent of the average net enrollment, and that 56 percent of the children who left school did so during the usual tenant-moving period, which in that area is about the middle of the school year.

I have tried to picture to you in a very brief way some of the major reasons why we should be concerned about the rapidly increasing number of farm tenants in this country. I have said that farm tenancy tends to bring about a mining of the soil by a one-crop system of farming; that it tends to add to the already heavy marketable surpluses of a few cash crops; and that, consequently, it does not give us a well-balanced and permanent agriculture. Moreover, I pointed out that the great insecurity and instability of farm occupancy which result from our system of farm tenancy are important factors in holding back the development of desirable rural communities with good schools, churches, libraries, and similar cooperative institutions.

But these are not all of the evils of farm tenancy in this country. Although I will not have time to discuss many more, I do want to call your attention to one which I consider to be of tremendous importance. Since its very inception, this country has been a model to all the world for its democratic principles and procedures. America has been the world's stronghold of democracy, and the farmers of this country have been one of the most important groups to have consistently fought for and maintained that democracy. Mr. Speaker, I am convinced that our democratic institutions will be seriously threatened if America continues to pile up a greater and greater proportion of landless farmers. It was one of the cardinal teachings of Thomas Jefferson that democracy could, would, and should flourish in a land where individual farms are operated by their owners, but that it would wither and die if the soil of the country fell into the hands of absentee owners with the result that the real operators of the farms had nothing more than a transitory interest or contractual right in the soil. If we want to see our democracy flourish and grow stronger, let us give these landless farmers of our country an opportunity to become owners. If we want to see our democracy decay, let us sit idly by while our best farm lands fall into the hands of absentee owners and an increasing percent of our farming classes fall into the status of tenants or farm laborers. This question of maintaining a democracy by promoting farm ownership is not one about which to make eloquent speeches and forget. It is a problem which demands action and leadership of a statesmanlike character.

When I was a boy growing up and working on my father's farm we never thought much about the tenancy situation, because at that day and time tenancy was a transitory step for most men toward farm ownership. I know many farm boys in my home community who started out as day laborers, and after a few years time had accumulated enough funds so that they could buy their own livestock and equipment and become tenants. Then, after working as tenants for a few years, they were able to become farm owners and take their place in the community as some of its leading farmers and citizens. In other words, tenancy for those men was a stepping-stone toward farm ownership. As long as it continued to be this, and as long as the period which a man had to remain as a tenant was not unreasonable, farm tenancy was not a serious problem. Today, however, the situation is different. And I believe that if you will look around you in your home communities you will agree with me when I say that during the past score or more of years there have been hundreds of thousands of capable, energetic farm boys who worked themselves from the status of a hired man into that of a tenant, but have never been able to go any farther and reach that goal of farm ownership which they had in mind when they started farming. The very fact that tenancy has been increasing so rapidly during the past decades is proof enough that thousands and thousands of farm boys have been unable to rise above the status of a man who rents his land. The 1935 census does not give us figures showing the age of tenant farmers. However, in 1930 at least half of the farmers between 35 and 44 years of age were tenants in Illinois, Iowa, and Nebraska. For the country as a whole there were 373,900 farm tenants who were over 55 years of age. These were men who had labored virtually all their lives hoping to become farm owners and yet have not accumulated 1 acre of land. If you will compare the census figures for 1910, 1920, and 1930, you will find that there has been an increasing number of farmers in the older age groups who remain as tenants, who, in other words, have not been able to become owners. If this situation continues, I say to you again that it represents a serious threat to democracy. When the young farmers of this country really wake up to the fact that a major portion of them are due to remain as day laborers and tenants throughout most of their lives, they will have much less respect for their Government, and may, in fact, become militant supporters of communism, fascism, or some other foreign system of government.

In closing, I want to point out that there are several methods which Congress might consider in seeking the best way to improve our tenancy situation; but the best way, it seems to me, is to promote the owner-operation of individual family-sized farms. Now, it is conceivable that we might follow the ideal principles laid down by Henry George or the principles laid down by the Socialists or the Communists, in which case we would have the Government take over the land and rent it out to the individual farmers. Under such a situation every man would be a tenant, but he would be a tenant of the Government, not of a private landlord. Another thing which might be done would be to set up a detailed system of regulations such as that being tried in England and Scotland and in other countries, in which a tenant is guaranteed continual security of tenure and compensation for any improvements which he makes to the farm, so that some of the evils of the tenant system have been done away with. We have tried regulating public utilities in this country, but we have never tried regulating the owning and renting of farm land. You can readily see the difficulties that would arise and that such a plan could not be instituted without numerous and uniform changes in the constitutions of our States and without amendment to our Federal Constitution.

Instead of searching for foreign ways to improve the tenancy situation in this country, I commend to you a better and an American way, namely, the promotion of individual farm ownership by the man who operates the land, and a continuing protection of that ownership so that the farm lands of this country will not fall into the hands of absentee landlords.

During the last session of this Congress the Senate passed the Bankhead-Jones farm tenancy bill, S. 2367, which proposes to face this situation that I have described to you, and to bring about a solution of the tenancy problem by a long-time program aimed at promoting the owner operation of family-sized farms. That bill was referred to the Committee on Agriculture in the House, which committee I understand will probably file a report in the near future. It is my sincere hope that we may have an opportunity during this session of Congress to discuss the measure here on the floor of the House. It is a measure aimed at solving one of the most important and most fundamental problems facing American agriculture, and moreover, it proposes to face this problem in a true democratic and American way. If this Congress will enact this law, it will have added to the other laws enacted in the interest of agriculture another great statute which will go down in history as one of the really important agricultural

measures of basic importance to our new national agricultural policy.

It has been my privilege and pleasure to support 100 percent the agricultural program of this administration. I am sure the measures enacted have been helpful and beneficial not only to those engaged directly in agricultural pursuits, but to labor and industry throughout the Nation. The tenancy problem is of great importance and should be given careful consideration at this session. I believe the growth of farm tenancy can be checked. We should try to check it. Then let us act on a farm tenancy bill this session.

JAMES BUCHANAN'S GREAT SPEECH ON FREE SPEECH AND PRESS AND INDEPENDENT BAR

Mr. FADDIS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein an address delivered by my colleague [Mr. HAINES.]

The SPEAKER. Is there objection?

There was no objection.

Mr. FADDIS. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following address recently delivered by my colleague from Pennsylvania [Mr. HAINES]:

This is the one hundred and forty-fifth anniversary of the birth of James Buchanan, of Pennsylvania, the fifteenth President of the United States (1857–61).

It is fitting that we celebrate one of the great achievements of Buchanan—his memorable fight in 1831 against judicial tyranny, which threatened free speech, free press, and the independence of the bar. It is conceded today that Thomas Jefferson's destruction of the alien and sedition laws is the only battle for free speech and free press of more importance than that led by Buchanan in 1831.

IMPEACHMENT OF JUDGE PECK

Federal Judge James H. Peck, of Missouri, had imprisoned for 24 hours an attorney named Luke Lawless and disbarred him for 18 months because he had criticized an opinion of the judge in the newspapers. The House of Representatives voted to impeach the Federal judge solely for this conduct by a vote of 123 to 49, with the latter admitting his conduct deserved censure. James Buchanan led the fight to impeach this judge and was one of the managers of the House in prosecuting the impeachment charges in the Senate trial. However, the Senate voted 21 to 22 to sustain the impeachment charges, with certain Senators not voting and due to pleas for mercy for the judge who had then become old and blind and due also to complications caused by Missouri, national, and senatorial politics. It is worth noting, however, that three men who became Presidents of the Nation voted for the impeachment of the Federal judge—Buchanan, of Pennsylvania; Polk, of Tennessee; and Tyler, of Virginia; as well as two men who shortly afterward became Justices of the United States Supreme Court—Woodbury, of New Hampshire, and McKinley, of Alabama; while the father of Chief Justice White, of this Court, also voted to impeach as a Member of the House.

BUCHANAN DRAFTS ACT OF MARCH 2, 1831

The result of this fight was the drafting by Buchanan of the famous act of March 2, 1831 (4 Stat. 487), which followed the language of the eleventh amendment in defining the constitutional and jurisdictional limits of Federal courts and declared the law, past, present, and future, to permit summary punishment only of direct contempts which actually obstructed justice and which prevented any interference with the right to criticize such Federal judges by citizens, newspapermen, and lawyers. The act is still in effect, the first section being now cited as Twenty-eighth United States Code, section 385, and the second section being in the criminal code. It was adopted practically unanimously, as the slightest opposition would have caused its rejection in the closing days of the session, and Buchanan's speech about 1 month before in the impeachment trial of Judge Peck is considered the historical interpretation of the act which he drafted and is a great summary of the constitutional limitations which protect the citizen, the editor, and the attorney from summary power of Federal courts to punish them for criticisms of such courts and a splendid vindication of free speech, free press, and the independence of the bar. The impeachment trial had awakened the whole Nation to the importance of protecting such rights from judicial invasions and nearly all of the States immediately passed acts which were based on Buchanan's Act of 1831.

It is an appropriate way to celebrate Buchanan's anniversary, therefore, to call attention to excerpts from his great arguments in favor of the constitutional rights to free press, free speech, and the independence of the bar, and to remember that even though these rights are continually under assault in some Federal and State courts that such assaults are illegal, unconstitutional, and constitute impeachable offenses.

MR. BUCHANAN'S ARGUMENT IN TRIAL OF JAMES H. PECK

"I shall now proceed to prove that the power claimed and exercised by the respondent is in direct violation of the letter and spirit of the Constitution. In order to demonstrate this proposition it is only necessary to contrast the provisions of the Constitution with the proceedings of the judge against Mr. Lawless. The Constitution declares that 'in all criminal prosecutions the accused shall enjoy the right to a speedy and public trial by an impartial jury.' What does this mean? Does it not extend to all criminal prosecutions? And is it not established that the prosecution of a libel as a contempt is a criminal prosecution? In criminal prosecutions the rights of a citizen are never to be taken away without a trial by an impartial jury. Impartiality is the attribute peculiarly required. But what does the law of contempts, as administered by Judge Peck, declare? That the dearest rights of a citizen may be taken away without any trial by jury, and by the sole authority of an angry, offended, and therefore partial judge. Need I add another word?

"Again, the Constitution provides that 'no person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces', etc. In England, where the power of punishing libels against judges as contempts came to the King's Bench from the Star Chamber, a man may be prosecuted criminally upon a mere information filed by the law officers of the Crown. But the Constitution of the United States explodes this doctrine, except in cases arising in the land and naval service. In all other cases a grand jury must pass upon the accused before he can be brought to trial. So careful has the Constitution been of the liberty of the citizen that it has blotted out forever the proceeding by information; although before any punishment can be inflicted, even by this mode, a petit jury must first have found the accused to be guilty. But what is the process in the case of contempts? Without either an information or an indictment, but merely on a simple rule to show cause, drawn up in any form the judge may think proper, a man is put upon his trial for an infamous offense, involving in its punishment the loss both of liberty and property. He is deprived both of petit jury and grand jury and is tried by an angry adversary prepared to sacrifice him and his rights on the altar of his own vengeance.

"The Constitution declares, 'that no person shall be compelled, in any criminal case, to be a witness against himself.' But I ask, Can the English language furnish plainer words than these? Did not the respondent know when he called upon Mr. Lawless to answer interrogatories upon oath, and on his refusal inflicted an additional punishment, that the Constitution protected him against any such inquisition? If the Constitution does not apply to a case of this kind, in the name of Heaven, when or where will it apply? By the common law of England the refusal to answer interrogatories is itself 'a high and repeated contempt, to be punished at the discretion of the court', and so thought Judge Peck; but the Constitution interposes its protection and secures the citizen against being called upon to answer. Even the courtly Blackstone, the apologist of every abuse under the British Government, declares 'that this method of making the defendant answer upon oath to a criminal charge is not agreeable to the genius of the common law in any other instance' (4 Com. 287). Now, I verily believe that when the framers of that sacred instrument inserted in it the provision 'that no person shall be compelled, in any criminal case, to be a witness against himself', they had this very case of contempt full in their view. The power which they have forbidden did in this case exist in England; but even there it 'is not agreeable to the genius of the common law in any other instance.' What case so proper could they have had in view when they inserted this clause? They could never have intended that notwithstanding the provision, unless the accused would humbly crouch at the foot of judicial power and swear that he had no intention to give the slightest offense to the judge, he should be liable to be severely punished. Such a doctrine would be repugnant to every feeling of a freeman.

"Even the miserable pretext which existed for exercising this power in Pennsylvania and Tennessee, that the constitutions of these respective States had sanctioned a preexisting 'law of the land', which prostrated the barriers erected by these very constitutions for the protection of civil liberty, has no existence here. No law of the land for the United States existed previous to the adoption of the Federal Constitution. It declares that no man shall be compelled to bear witness against himself on a criminal charge; and I put the question home to each member of this high and honorable Court, whether the language must not be construed to extend to cases of this nature. Is there anything else to which the provision can apply? This odious inquisition must certainly have been intended, as there is no other criminal accusation on which a man can, even by the common law, be required to bear witness against himself.

"Let me here bring into the view of the Senate a fact on which I shall comment hereafter. The counsel has told us that at first Judge Peck only intended to suspend Mr. Lawless; but in consequence of his refusal to have interrogatories filed, and answer questions upon oath, which might require him to bear witness against himself, and of his reading a paper to the court in the character of a protest or bill of exceptions, his punishment was aggravated by the disgrace of imprisonment.

"(Mr. WIRT. I spoke from the evidence.)

"Yes, sir. With this constitutional charter in his hand, the judge has branded Mr. Lawless with infamy (so far as his sentence of imprisonment could do so) for refusing to give evidence against himself. But I shall treat more fully of this point hereafter.

"The Constitution further provides that no person for the same offense shall be twice put in jeopardy of life or limb. But by the law of contempts, after a judge has first wreaked his own vengeance on the accused for the offense, considered as a contempt of

court, the unhappy victim may afterward be indicted for a libel, and thus again punished for the same offense.

"The Constitution of the United States does not contain the provision, which is to be found in almost every State constitution in the Union, that upon prosecutions for a libel, the truth may be given in evidence. The reason of this omission doubtless was that as this instrument did not confer upon Congress any power to punish libels there was no necessity for the introduction of such a clause. If the power exercised by the respondent does exist in the courts of the United States, I presume no man will be hardy enough to contend that the truth of an accusation against a judge cannot be given in evidence in a summary prosecution for a contempt. What a spectacle would then be presented on such a trial! For example, I believe that a judge has in a certain cause decided absurdly (and such a thing we know may happen). I review his decision in one of the public journals and prove that he has shown himself to be a weak man; or I charge him with having been wicked and partial. If such be the fact, I have a right to establish it anywhere, and the truth everywhere ought to protect me from punishment.

"I am called before this very judge, charged with a contempt of court, and the only issue to be tried by him is whether he himself is not weak or is not wicked, whether he has not made an absurd or a partial decision. What an exhibition would this be in a land of liberty. Could it ever have been intended to confer a power so absurd and so dangerous upon an American court of justice?

"I now advance a little further in this argument (although it is astonishing to me that any argument on such a subject can be necessary). That sacred aegis—the liberty of the press—a right which Congress, if they would, could not, and if they could, dare not infringe—shields every citizen of this land from the blow of such judicial tyranny. No free government can long exist without a free press. Power is constantly stealing on. One implication involves another, until liberty may be lost before the people know it is in danger. To preserve this invaluable boon, it ought to be watched with greater jealousy than ever was excited by the fabled guardian of the Hesperian fruit. Its safest protector is a free press, and the Constitution of the United States has therefore declared that 'Congress shall make no law abridging the freedom of speech or of the press.'

"What was the intention of this provision? The framers of the Constitution well knew that under the laws of each of the States composing this Union libels were punishable. They therefore left the character of the officers created under the Constitution and laws of the United States to be protected by the laws of the several States. They were afraid to give this Government any authority over the subject of libels, lest its colossal power might be wielded against the liberty of the press. They have guarded it with a wholesome and commendable jealousy.

"In open violation of this provision, the sedition law was passed in 1798. This law, after having destroyed its authors, expired in March 1801 by its own limitation. The gentleman who first addressed the Court in behalf of the respondent has mistaken the argument of the managers in relation to this law. None of us ever contended that it was cruel and unjust in its provisions. It was more equitable than the common law, because in all cases it made an indictment necessary, and it permitted the truth to be given in evidence. The popular odium which attended this law was not excited by its particular provisions, but by the fact that any law upon the subject was a violation of the Constitution. Congress had no power to pass any law of the kind, good or bad. It is now, I believe, freely admitted by every person—I, at least, have not for several years conversed with any man who had a contrary opinion—that Congress, in passing this act, had transcended their powers. I have no doubt that the motives of many of those who passed it were perfectly pure, but yet if any principle has been established beyond a doubt by the almost unanimous opinion of the people of the United States, it is that the sedition law was unconstitutional. Such is the strong and universal feeling upon this subject that if any attempt were now made to revive it, the authors would probably meet a similar fate with those deluded and desperate men in another country who have themselves fallen victims upon the same altar on which they had determined to sacrifice the liberty of the press.

"Well, sir, and what then? It is contended by the respondent that although Congress could not bestow upon the courts of the United States the power of trying and punishing libels, yet that by implication he may exercise this authority and dominion over all men who may dare to discuss his pretensions in the public newspapers. That power which the legislature who created him could not confer upon him by express grant he exercises by implication.

"Shall, then, a petty judge—a petty provincial judge (if it be lawful to use such language after the rebuke my colleague received), although Congress itself dare not pass a law for the punishment of libelers against its own Members or the President of the United States, be permitted to sit as the sole judge in his own cause, and, in palpable violation of the Constitution, fine and imprison at his own pleasure the author of a libel against himself? When the express power cannot be delegated, shall he take it by implication? Shall courts of justice exercise a power as a bare incident vastly beyond what their creators could confer upon them?

"If all courts do possess this authority, it may be wielded with vast power as an engine for the destruction of our liberties. We have always had in this country, and I suppose we shall always continue to have, angry political discussions. It would seem that such storms are necessary to purify the political atmosphere of the Republic (though they are sometimes much more violent than agreeable). Let me illustrate my views by putting a case in reference to the so much agitated question of our relations with the Southern Indians. This question has awakened intense feeling throughout the Union, and I doubt not has given birth to much honest difference of opinion. Some believe the President to be right in his views upon the subject, and others that he is entirely wrong. It would not become me here to express any opinion. But suppose the President of the United States were to institute suits against some one of the editors who have attacked his character and assailed his motives, in relation to his conduct on the Indian question, what might be the consequence? The question then to be settled by such a suit would be, are these attacks true or false? Now, you could not take up a paper in the District of Columbia which would not contain one or more articles discussing the general question, and having a direct bearing upon the public mind in relation to the cause pending. These publications upon the principles on which Judge Peck acted would all be contempts of court. You might as well attempt to stop the flowing tide, lest it might overwhelm the temporary hut of the fisherman upon the shore, as to arrest the march of public opinion in this country, because in its course it might incidentally affect the merits of a cause depending between individuals.

"Sir, is this a fancy picture? When a man, so distinguished as to be a prominent candidate before the people of the United States for the highest office in the country undertakes to redress his wrongs by an action for a libel, he attaches to himself the whole politics of the country, and thus all the publications in the papers of the United States on the subject out of which the suit arose and converted into contempts against the court in which it is pending.

"I know something about a Governor's election in New York and Pennsylvania. The liberty of the press is on such occasions carried to its utmost limits. Charges are very freely made and very freely urged against the opposing candidates, and all the people of the State are deeply interested in knowing their truth or falsehood. The candidate who fears the public discussion of any charge made against him has nothing to do but bring a suit, and then according to the doctrine of contempts now asserted, all future publications upon that subject become contempts of court, and may be punished with severity by the judges before whom the action is depending. The current of public opinion must be stopped—the merits or demerits of the candidate must not be discussed—there must be an awful pause to await the event of a little libel cause in an inferior court. Such a doctrine cannot exist in this country. Carry it out to its practicable consequences and it becomes appalling. By a politic application of it, every judge in the land may become the tool of Executive power, or the instrument of preventing all attacks against his political favorites who may be candidates for office. These are not mere fanciful cases. They may occur in practice, and if the power should be sanctioned and established by the decision of this Court, the day may arrive when it will be resorted to for the most dangerous purposes. The time may come when it shall be considered very necessary and proper to shield some future President from public discussion by the exercise of this power.

"Why, sir, at this very time, from one end of the Union to the other, we find the public papers of a particular complexion ringing with attacks on the character and conduct of the Chief Justice of the United States, in relation to the Indian question now pending before the Supreme Court. I think these attacks are unjust, but to check them, would you silence the public press? Would you say that the Supreme Court ought to drag before it every editor in the country, and thus put an end to the discussion? I know that even if the Court possessed this power it would never be invoked by the present Chief Justice—a man upon whom any eulogy of mine would be lost. But if he resembled a Scroggs or a Jefferies (and such men may yet hold that office) he would never rest content until he had inflicted vengeance, through the agency of this power, upon those who dared to attack his judicial character.

"I have been considering the consequence of this power in regard to cases pending; but it would be infinitely worse in its application to cases which have been decided. The Supreme Court of the United States is vested with power, in the last resort, to construe the Constitution. Constitutional questions are brought before it almost every term, involving great and extensive interests, and in some cases the rights of sovereign States. Its jurisdiction is coextensive with the Union, and from the very nature of things its decisions must agitate and inflame large masses of the people of this country. Judgment is pronounced, and the reasons for it go forth to the world in the form of an opinion. Is not this opinion as fair a subject of criticism as any other public paper? And will not and ought not such opinions to be freely criticized as long as liberty shall endure in this country? And yet upon the principles which governed the respondent's conduct, the Supreme Court possesses the power to bring all the editors throughout the Union before them who have dared to impute errors to their opinions, and punish them by fine and imprisonment at their pleasure. The bare attempt to exercise such a power would convulse the people of this country.

"I recollect a case in my own State which may serve to illustrate the absurdity of this claim of power. The chief justice of Pennsylvania delivered an opinion that the supreme court of that State had no right to declare a State law unconstitutional. A United States judge took up this opinion, and in one of the periodicals of the day handled it very severely; more so, beyond all comparison, than Mr. Lawless criticized the opinion of Judge Peck.

If such a power had existed, here was a case for its exercise. The supreme court might have brought the district judge of the United States before them on an attachment and sentenced him to fine and imprisonment for scandalizing the chief justice, and endeavoring to bring him into odiom and disgrace before the people.

"If a judge be corrupt or partial in his judicial conduct, or should chance to be a fool (a case which sometimes happens) it is not only the right but the bounden duty of his fellow citizens to expose his errors. If a man should be notoriously incompetent for the judicial station which he occupies, though this may be no ground for an impeachment, yet it is a state of things on which the force of public opinion may rightfully be exerted for the purpose of driving him from the bench. I admit that the case ought to be an extreme one to justify such a resort. But then, if this power to punish libels does exist, a judge may decide as he pleases without regard either to honesty or law; and then silence the public press in relation to his conduct by denouncing fine and imprisonment against all those, who shall dare to expose the errors of his opinion. In such a case, upon the hearing before the judge, the greater the truth the greater would be the libel. A weak judge, when his capacity is called in question, would always be the most cruel and oppressive.

"As I have already referred to the Supreme Court of the United States, let me do it again. That illustrious tribunal, in the honest and fearless discharge of its duties, has come into collision with many of the States of this Union—with Pennsylvania, with Virginia, with Georgia, with Massachusetts, with New York, and with Kentucky. It has been abused and vilified from one end of the continent to the other. This has been its history since the foundation of the Federal Government. Has any man ever heard that the judges of this Court claimed the power of punishing these revilers in a summary manner by fine and imprisonment? Have we at any period of its history heard the slightest intimation to that effect from any of these men? Not one. That Court has often been in the storm. It has been assailed by the winds and the waves of popular opinion, but it has gone on in an honest and fearless course and trusted for a safe deliverance to the good sense and patriotism of the American people. That tribunal needs no such power as has been claimed by this judge in Missouri and has never thought of resorting to the arbitrary and vindictive conduct which has brought him to your bar.

"I trust I have now succeeded in proving that the courts of the United States can neither derive this power from the common law nor from the Judiciary Act of 1789 nor from necessity, and that its exercise is in direct violation of the Constitution of the United States. Another question now presents itself, on which it may be proper to make some additional remarks.

"Had Judge Peck power in this case to suspend Mr. Lawless from practicing his profession? It is of importance to us who belong to the bar to know whether or not—and to have the decision of this Court upon the question. If he had, the members of a profession which has ever stood foremost in this country in the defense of civil liberty are themselves the veriest slaves in existence. I believe that I have as good a right to the exercise of my profession as the mechanic has to follow his trade or the merchant to engage in the pursuits of commerce. I want them to know whether henceforward I must humble myself and become the sycophant of a judge, whom I may despise, under the penalty of being deprived of the right to practice my profession before him. If a judge be weak, or if he be wicked, his judicial conduct is as fair a subject of discussion among lawyers as among any other class of citizens; and for exercising this right they incur no punishment which cannot be inflicted on any other person. If this proposition be not true, they become the mere creatures of the court. Instead of being the firm and fearless asserters of their clients' rights, often in opposition to the preconceived opinions of the bench, they must cringe and assent to any and every intimation of the judge at the risk of their ruin. The public have almost as deep an interest in the independence of the bar as of the bench. The rights of the citizens, under the complex systems of modern times, can only be asserted and maintained through the agency of the profession.

"Members of the profession may forfeit their right to practice, but this can only be done by the commission of some professional offense, or some crime of so black a character as shows them to be wholly unworthy to be trusted. For other offenses they are subjected to the same punishments as their fellow citizens. Their official and their private acts are entirely distinct from each other. To show that Judge Peck had no right to suspend Mr. Lawless, I need not go further than Second Petersdorff's Abridgement, 615, the book cited by the judge himself. It proves conclusively that the high prerogative of striking an attorney from the rolls has never been exercised, even in England, except for grossly dishonest professional misbehavior, or on a conviction of felony or other infamous crimes. This power has never been resorted to except in extreme cases. I admit that if, in this country, where the two professions of attorney and counsellor are generally united in the same person, an attorney in open court will manifest by his conduct a total want of respect for the judges and will pursue a course tending to obstruct the public business before the court, they must from necessity possess the power of suspending him from practice. But it is not pretended that Mr. Lawless has brought himself within this rule. Was it ever heard of in England, that an attorney was stricken from the rolls of the court for writing and publishing strictures no matter how severe upon the opinion of a judge? The research of the learned gentleman has not furnished us with a single case from the English books, nor a single dictum to that effect. If I write and publish an article, which a judge may choose to consider as a libel upon himself, is it not enough that he may appeal like other citizens to the laws of his country for redress, and have me fined and imprisoned for the offense? Shall he be permitted to take the law into his own hands and add to this punishment a forfeiture of my means of subsistence, by taking away from me my profession? Even the punishment of a libel as a contempt, by fine and imprisonment, would be mercy when compared with this power.

"The judge, in the same rule against Mr. Lawless, has embraced two things of an entirely different character. No two subjects can be more distanct in their nature than a rule to show cause why an attachment should not issue for a contempt, and a rule against an attorney to show cause why he should not be stricken from the rolls. In the first case the court must proceed without delay. Its process or its lawful command must be obeyed immediately, otherwise the progress of public business is arrested. If the order of the court be obeyed, either there is no punishment at all inflicted or it is generally very slight. The suspension of an attorney from practice is of another character. The question then to be decided is, Has his conduct been of such a character as to require his expulsion from the bar? This is a question which need not be determined in a day or in a month. The spirit which dictated that provision of the common law—that the tools of an artificer shall not be distrained—ought to prevail upon such an occasion. When a man's all is at stake, or rather the means by which his all is acquired, there ought to be no haste in the proceeding when no haste is necessary. But here this infuriated judge had decided, from the very first moment, that Mr. Lawless should be suspended; and it has been alleged that it was not till after his refusal to answer interrogatories that he determined to add the ignominous punishment of imprisonment.

"And now we come to the case of Judge Conkling, of which so much has been said. The eloquent counsel seemed to take so much pleasure in referring to the report of the Judiciary Committee, in this case, and to look at me with such significant glances that I had not the heart to interrupt his pleasure by letting him know that I had nothing to do with that report, having been absent from the city when it was made. I never saw the report until this morning, and till then was entirely ignorant of the principles on which it was founded. The gentleman on my left (Mr. Storrs) was also absent, as I am informed, having declined sitting upon the committee for personal reasons.

"But I shall not leave this report of the Judiciary Committee here. The case now on trial before the Senate, and that of Judge Conkling, are totally dissimilar. The good lady, Mrs. Bradstreet, or rather Mr. Tillinghast (I cannot tell which), charged Judge Conkling, before the House of Representatives, with no less than 38 judicial offenses. If we had brought such a list before this Court, and each of them were to consume as much time as the single charge against Judge Peck has done, we might be occupied for years in the trial. The Judiciary Committee were unanimous in rejecting 36 of these charges. Concerning the two which remained, relating to Mr. Tillinghast's suspension, there was a difference of opinion.

"It seems that Mr. Tillinghast, in open court, upon the trial of a cause, had drawn a most odious and revolting picture of a judge, which was intended by him, and understood by others, to be a delineation of the judge upon the bench. This was a direct and palpable insult publicly uttered to his face. The judge, however, either did not understand it as it was meant or determined to disregard it and suffer in silence. Tillinghast, some time after the session of the court had terminated, in a private conversation with the clerk, acknowledged that he meant the picture for Judge Conkling, and confessed the intentional indecorum of his language. The clerk warned him against using such expressions; but notwithstanding, he requested the clerk to tell this conversation to Judge Conkling. On an affidavit of these facts, Mr. Tillinghast was brought before the judge, and on refusing to make an apology was stricken from the rolls. For what? Was it for what he had said to the clerk out of court? No; but it was for the character which he had drawn in open court, in connection with the acknowledgment he had made to the clerk that it was intended as an insult to the judge. Though a majority of the committee expressed no opinion as to the legality of the judge's conduct, I am now willing to do so, and to declare that, in my judgment, it was illegal. If the picture when drawn was not so distinct in its features as to be recognized by the judge, or if he, perceiving the intended resemblance, chose to overlook the insult during the whole term at which it was committed, the time had passed by and the liberty of speech protected the offending attorney. The judge could not at a future term institute proceedings and strike him from the rolls in consequence of any private conversation he might have had with the clerk after the adjournment of the court. This is my opinion; but I never should have voted for an impeachment in such a case. Thirty-six of the charges were so frivolous as to be rejected unanimously by the committee, and the remaining two arose out of conduct well calculated to irritate and wound the feelings of the judge and to induce him unconsciously to pass the doubtful limits of the law in the punishment of the offender. From the circumstances of the case, I could not have supposed that an intention to transgress the law was so clearly established as to justify this tribunal in convicting the judge. Yet I believe that he acted improperly, and such should have been my report. In justice to myself I will also observe that I entirely dissent from most of the reasoning contained

in the opinion which he delivered at the time the name of Mr. Tillinghast was ordered to be stricken from the roll.

"A case has been cited from New Hampshire, and I would hope that there must have been some mistake in the report of it which has been read to the Senate. As stated, it presents a case of arbitrary oppression toward a member of the bar, unequaled even in English history. The judge I know to have been a very respectable man, and is therefore the more extraordinary. It seems that an attorney, whose name was Freeman, in a conversation at a public tavern, observed that Judge Livermore was very arbitrary, and that he abused the lawyers, the parties, and the witnesses. He also inquired whether the judge ever studied, and expressed a belief that he did not read his books. This was a mere idle, loose conversation. For this language, which was carried by some tale bearer to Judge Livermore, he struck the attorney from the rolls. Sir, what have we come to? In what state of society do we live when such an act as this is cited before the highest tribunal of the Nation in justification of the conduct of a judge of one of the district courts of the United States?

"I never had the pleasure of exchanging a word with the concluding counsel for the respondent before the commencement of the trial, but I think I might venture to ask him whether he had never, in familiar conversation, expressed opinions quite as derogatory to the character and attainments of judges as those uttered by Mr. Freeman in relation to Judge Livermore. And who would endure it, that for such a conversation the country should lose the distinguished professional services of that gentleman, and his family be deprived of his exertions for their support (if they depend on those exertions, which I hope they do not)? Yet this case has been gravely cited to prove that Judge Peck had a right to punish Mr. Lawless by suspension.

"As to the case from Tennessee, it probably arose from some misapprehension of the nature of the proceeding against Mr. Darby. The supreme court of that State, in their opinion, contend that according to the doctrine of the English books he had been guilty of a contempt in publishing a libel against them; but, instead of inflicting upon him fine and imprisonment, the only appropriate punishment for a contempt, they ordered his name to be stricken from the roll of attorneys.

"(Mr. Grundy said there was no proceeding in that case as for a contempt. Mr. Darby was stricken from the roll on motion.)

"Yes, sir; but the court placed it on the ground of a contempt. I understand that in that State the law gives to courts the express power to strike attorneys from the rolls; but whether in this case they exercised it properly, I neither know nor care. It can have no influence upon the present trial.

"What was the character of the libel against the court does not appear from the report of the case; but, from what I have heard, I entertain no doubt it was of a very aggravated nature.

"It is worthy of remark that the court rested their power upon a provision in the constitution of Tennessee similar to that contained in the constitution of Pennsylvania, which was used to shield C. J. McKean and the other judges in the case of Passmore. The bill of rights in both States declares that the accused shall not 'be deprived of his life, liberty, or property, but by the judgment of his peers or the law of the land.'

"But in concluding this part of my argument I would again observe that not a single case has been produced from England (and if the counsel could have found one they certainly would have urged it) in which the court of King's Bench or any other court of that country ever attempted to strike an attorney from the rolls for publishing anything derogatory to the court.

"Having thus shown that the respondent has violated the Constitution and laws of the country, I shall now proceed to discuss my second general proposition, which was that he has done so with a criminal intention. This necessarily leads me into a discussion of all the material facts and circumstances of the case as they have appeared in evidence."

THE PASSAMAQUODDY PROJECT—WHAT IT IS AND WHY—BY PASSAMAQUODDY PUBLIC RELATIONS ASSOCIATION

Mr. BREWSTER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to incorporate therein a short article dealing with the Passamaquoddy project.

The SPEAKER. Is there objection?

There was no objection.

Mr. BREWSTER. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following article by the Passamaquoddy Public Service Relations Association, dealing with the Passamaquoddy project:

The public relations board of the Passamaquoddy power project appreciates very much this opportunity to talk to you frankly about Quoddy. It means opportunity to state some true facts about the project—opportunity to offset certain widely circulated publicity that is both unfair and incorrect. Throughout we will try to confine ourselves to actual facts, to statements unbiased either by overenthusiasm or resentment.

In the last few months Quoddy seems to have been made the target for every sort of comment, ranging from careless ridicule to downright hostility. From one angle, at least, all this is rather encouraging. Looking back through history you will find that every new and amazing feat of human ingenuity that contributed vastly to human progress has passed through just this same phase of doubt, scorn, and ridicule. For example, the first locomotive, the flying machine, the talking machine. As to engineering projects, recall Niagara, the Union Pacific Railroad, the Panama Canal. All these in the early days of their development aroused storms of doubt and ridicule. The day after its completion the trans-Atlantic cable drew this editorial comment from one of the country's leading dailies: "Now that it's completed, what are they going to do with it?"

In a moment we'll get down to Quoddy facts. But first let's give a recent instance of such publicity on Quoddy.

Within the last 2 weeks a certain periodical published in Washington, and holding evident appeal to the rural sections, carried an article on Quoddy that tied it in to milking cows by the moon. It carried a map of Quoddy, claimed to be the magazine's own special map, showing for the first time the exact set-up of the Passamaquoddy power project. The map bore very little resemblance to the project, either in layout or in working principle. For instance, it showed a strange power-house dam 4 miles long that simply does not exist. The map's outline was incorrect. It showed a lake never heard of. The bulk of statements in the article itself showed not only complete lack of information about Quoddy history or background but of simple international geography.

Before we go on, let us outline, briefly as possible, the main points of Quoddy history. Quoddy was originated by Dexter P. Cooper. His brother, Col. Hugh Cooper, is probably the foremost hydroelectric engineer in the world. Together with his brother, Dexter P. Cooper has been connected with some of the biggest hydroelectric developments known—Niagara, Keokuk on the Mississippi, Muscle Shoals, the Dneiperstroy in Russia. Quoddy is over 10 years old. Begun as an international project, it involved waters on both sides the international boundary. Its State of Maine charter was granted in 1925, its Canadian charter about the same time. A few years later the job was reengineered to involve American waters only. Since then Quoddy has been an all-American project, with provision made, however, to extend this into the original international plan, if this later became possible. Work was progressing steadily under the all-American plan, when came the stock crash of 1929. This, with the ensuing depression, resulted in laying Quoddy temporarily aside.

In 1933 Quoddy's founder was in Russia supervising completion of the Dneiperstroy, the Russian project referred to. This completed, he returned to America and took up the matter of Quoddy with P. W. A. P. W. A. admitted its engineering, but did not see it as a private-interest venture. It was later offered to the Government as a reconstruction feature, slanted mainly at relief. The administration sent Secretary Ickes to Eastport to investigate. Secretary Ickes expressed himself as much impressed both with the project and the Quoddy country. He volunteered legal and technical assistance from Washington. He told the people not to give up their fight for Quoddy. Quoddy was finally approved in connection with the four-billion relief bill. Its allotment was officially announced in May 1935. Work was begun immediately.

Now, let's clear up Quoddy's status to there.

First, its founder's standing in international engineering should at least entitle this project of harnessing the tides to respectful consideration. This man achieved what the engineers of centuries had been trying to do without success. In those early years the project drew interest and support from the entire world. England had been working out a similar scheme on the River Severn; France on the Britanny coast. Passamaquoddy tides represented far more gigantic possibilities than either. Representatives of both these projects have said to the founder of Quoddy: "You lead, we will follow."

Now let's take the State of Maine's attitude. The people of Maine were wholeheartedly behind Quoddy. They are now. Quoddy's initial charter was referred to the people. In direct referendum the people of Maine put Quoddy's charter over by a vote of 10 to 1. Right here please mark this fact: That charter granted Quoddy full authority to ship power out of the State. Quoddy is the only power company in Maine holding that privilege. Quoddy can ship power to other States, and to Canada.

As to who was behind Quoddy in those days—we come now to one of the most convincing arguments in all Quoddy history. In those days Quoddy was sponsored and was being built by four of the leading power interests in America, if not in the world. Now, please don't underestimate that—the biggest names in American power. These interests entered upon the project only after a long period of exhaustive investigation covering its every phase. They were actually building the job. They had bought abutment and land options along the entire 20 miles of its course. A small army of engineers were at work on the preliminaries for over a year. A half million dollars had been spent on the job up to 1929, and depression. Now, why were they building it? Was it not solely because they found in Quoddy the possibility of developing cheap power on a huge scale? In other words, did it not look to them like a feasible and profitable investment?

Now, a brief statement of what has been done since Quoddy was actually begun. Then we'll take up its definite arguments, engineering, cost of power, sale of power, T. V. A., etc.

Quoddy was started in June of last year. A first problem was the matter of housing. A community of 120 houses was built for the housing of the small army of engineers and administrative force. Much has been said and printed about this feature of the project. This movement, however, was absolutely necessary.

Eastport itself had no possible means of caring for a population more than doubled. The building of these houses represented an actual economic investment. Rentals from employees will almost pay the cost of construction by the time the job is finished. Approximately $100,000 has actually been collected for these rentals to date.

And now, is it necessary to mention love seats and grandfather clocks? Press report on this has been absurd and unfair. As a bit of publicity we'll admit that grandfather clocks and love seats in connection with Quoddy were fatally irresistible. Actually, there were two tall clocks, cheap clocks, in one of the dormitories. Privately, just between you and me, you wouldn't really suffer to own one. And that goes for the simple maple settees, that were "love seats" only in the catalogs. The paintings of Old Masters cost 25 cents, $1.04 framed. Both buildings and furnishings of Quoddy village represent simplicity almost to bareness. Come and see for yourself.

At present Quoddy is going ahead briskly and actively. Two smaller dams are practically completed. Initial work on the great dams, involving railroad spurs, docks, excavations, rock fills, are well under way.

All right, now we come to the main points of Quoddy argument, over which there has been so much controversy.

First, Quoddy's engineering: It has been reported widely that the whole scheme of Quoddy was indefensible from an engineering standpoint. As a matter of fact, in all Quoddy history we can find no actual official doubt as to its soundness. Quoddy engineering has been subjected to the most exhaustive investigation all along the line. Years ago the War Department of the United States passed on its engineering. Two years ago, even P. W. A. conceded its engineering. If Dexter P. Cooper's own standing as an engineer holds no weight, may we offer one final argument along this line that must be convincing to everyone? It is this: Can it reasonably be supposed that the War Department of the United States. which has constructed some of the outstanding engineering jobs of American history, would undertake to build any project of which the engineering was doubtful or unsound?

Next: Cost of power.

The great question from power sources is, What is to be the cost of power? This we cannot answer. Now, just a minute. We cannot answer this question simply because it cannot be answered by anyone at the present stage of things. Due to many reasons, chiefly reasons of economy, the details of Quoddy construction changed somewhat from original plans. Certain details of final construction are still under discussion. Cost of power depends on cost of construction. For this reason it is not possible for anyone to definitely say at present just what will be the kilowatt cost of power.

Also, in the case of Quoddy, other elements enter into the cost of power. It has been intimated that part of Quoddy's construction cost would be charged to relief, part to defense, part to power. If this is so, the eventual cost of power can only be determined when the job is done—and by higher authorities than can be approached on the subject. One answer, however, can be made definitely here and now. Even with everything considered, Quoddy power will be cheaper than Eastport power. In connection with industrial development at source of supply, this is paramount.

Now, the sale of power.

The one great question hurled at Quoddy since the beginning is, What are they going to do with the power? In reply to this question let us make some brief statements which are facts. Mr. Cooper is a member of the National Power Policy Committee. He and his staff have been constituted a department to look up sale for power. Mr. Cooper states that in the last few weeks he has interested big industry in all the power the project would have to dispose of under present plans. The bulk of this has been negotiated for by big chemical interests alone located in three different sections of the country. In passing, this same interest of big industry happened when Quoddy was active before. Scouts of big industry from far and wide came to look up details as to possible location. Given competitive-priced power, the concerns mentioned are attracted to the Quoddy section by advantages of low-priced lands, attractive labor conditions, and more than all by the great advantages of salt-water transportation. These statements may not be discredited.

T. V. A.

The question has been asked, What bearing has T. V. A. on Quoddy? The answer is: none whatever. T. V. A. is a federally controlled project. Quoddy is intended as a State project. The intent of the administration was to loan to the State of Maine the necessary money to build—the project, on completion, to be operated by a Maine authority. The principle involved would be in the manner of a lease—the State to make certain returns to the Government only when the project should be self-sustaining to that extent. The State of Maine is not and would not be obligated for the repayment of funds in any way.

At present a new bill has been drafted by representatives of the Government itself for presentation at the next session of legislature. The provisions of this bill are so drafted as to safeguard every best interest of the people of Maine, with provisions so drawn as to be entirely satisfactory to the existing Maine power companies. In this connection Quoddy will not and cannot invade the rights or territory of existing power companies to their detriment. Quoddy is prevented from this by every restriction, legal and otherwise. For this reason, no single stockholder in any existing power company will lose a penny because of Quoddy.

Some interested inquirer has asked: "Why no mention of transmission lines for Quoddy?" Answer: Under present plans—covering industrial development at the source of supply, and also sale to existing public utility lines—extensive transmission lines may not be necessary, at least for some time.

Now may we offer some interesting data of our own.

There are 38 Federal dams in the United States. All the others are on rivers. Consequently their power output is affected by floods and droughts. Quoddy, damming the tides, can estimate its actual power output with absolute accuracy 10, 20, 100 years from any given hour. All the other 37 dams are designed for sectional development of the country. It is the opinion of high authority that Quoddy would be on a self-sustaining basis far earlier than some of the great dams in the West. Why leave Quoddy out?

Here are some of the other advantages held by Quoddy. Quoddy is located on tidewater on one of the three finest harbors in the country, open all the year round. Eastport is nearer to Europe than any other town in the United States. So located, it is easily and cheaply accessible to the basic raw materials of the world. Thus it holds great advantages over Niagara in this respect.

Quoddy is designed to achieve the permanent rehabilitation of eastern Maine. Already it has meant a wonderful benefit along the line of Maine relief. Upward of 5,000 workers were employed. These workers were reported to have sent their money home almost to a man. In fact, the bulk of Quoddy money goes out of Eastport itself, goes all over New England in fact. The local post office reports an average of $2,000 in money orders daily. Figures secured from headquarters show that Quoddy has paid to the city of Bangor, for instance, almost half a million dollars in labor and supplies. The city of Portland section, including outside contracts, has profited by almost a million. In the city of Boston, to 171 concerns Quoddy has paid $847,287.29 up to March 30. Accounts not yet paid will bring this to over a million. All this exclusive of labor, exclusive of huge outside contracts.

In closing, here's an odd one—we hope you get all it means: The question has been asked in withering accusation, "Why doesn't this project of Quoddy come out in the open?" The answer is so simple as to be staggering: Quoddy—didn't—have—the—gate money. By the open is meant publicity. To get into the press with favorable publicity Quoddy must run the gantlet of politics and power. Direct publicity costs money. Quoddy, of itself, the last 2 or 3 years has had no money. Naturally the Federal Government makes no provision for such activity. What favorable publicity on Quoddy has leaked through into the open, has been wrung out of the situation by a group of local individuals, men who were compelled to pass the hat for gas, stamps, and printer's ink.

And so we have tried to give you the true facts about Quoddy. In return, why not be fair? Eastern Maine has been licked—badly. Boulder Dam, Grand Coulee, all the other big projects are designed to rehabilitate their own sections, the same as Quoddy. But none of these has been attacked and ridiculed like the Quoddy project. Why not be fair?

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 3531. An act to amend the act entitled "An act for the control of floods on the Mississippi River and its tributaries, and for other purposes", approved May 15, 1928; to the Committee on Flood Control.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 12037. An act relating to compacts and agreements among States in which tobacco is produced providing for the control of production of, or commerce in, tobacco in such States, and for other purposes.

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 713. An act granting jurisdiction to the Court of Claims to hear the case of David A. Wright; and

S. 929. An act for the relief of the Southern Products Co.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. ANDREW of Massachusetts, indefinitely, on account of illness.

To Mr. BOILEAU, for the balance of the week, on account of illness.

To Mr. HARTLEY, for the balance of this week, on account of illness.

To Mrs. JENCKES of Indiana, for 2 weeks, on account of official business.

To Mr. UTTERBACK, for 8 days, on account of important official business.

THE LATE REPRESENTATIVE JOHN T. BUCKBEE

Mr. REED of Illinois. Mr. Speaker, word has just been received of the death this afternoon of our colleague, JOHN T. BUCKBEE, of Illinois. I offer the following resolution, which I send to the desk.

The Clerk read as follows:

House Resolution 495

Resolved, That the House has heard with profound sorrow of the death of Hon. JOHN T. BUCKBEE, a Representative from the State of Illinois.

Resolved, That a committee of four Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

The SPEAKER. The Chair will appoint the committee in the morning.

The Clerk will report the remaining part of the resolution.

The Clerk read as follows:

Resolved, That as a further mark of respect this House do now adjourn.

The resolution was agreed to.

ADJOURNMENT

Accordingly (at 5 o'clock and 6 minutes p. m.), in accordance with the order heretofore made, the House adjourned until tomorrow, Friday, April 24, 1936, at 11 a. m.

COMMITTEE HEARING

COMMITTEE ON THE PUBLIC LANDS

The Committee on the Public Lands will meet at 10 a. m. tomorrow, Friday, April 24, 1936, to consider the bill (H. R. 7086) to establish Mount Olympus National Park in State of Washington, and for other purposes. The hearing to be considered in the caucus room of old House Office Building.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

809. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 20, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Woodmont Harbor, Conn., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

810. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 20, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Crooked and Indian Rivers, Mich., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

811. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 20, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Trask, Miami, Kilchis, and Wilson Rivers, Oreg., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

812. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 20, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Delaware River, between Easton and Stroudsburg, Pa., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

813. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 20, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Winter Harbor, Va., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

814. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 22, 1936, submitting a report, together with accompanying papers, on a preliminary examination of Savannah River at Augusta, Ga., with a view of extending the present revetment work to the top of the levee and prevent erosion interfering with the navigation of the improved channel, authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

815. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 22, 1936, submitting a report, together with accompanying papers, on a preliminary examination of lower Altamaha River and Darien Harbor, Ga., authorized by the River and Harbor Act approved August 30, 1935; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. MURDOCK: Committee on Indian Affairs. H. R. 11218. A bill to provide for the disposition of tribal funds now on deposit or later placed to the credit of the Crow Tribe of Indians, Montana, and for other purposes; without amendment (Rept. No. 2482). Referred to the Committee of the Whole House on the state of the Union.

Mr. WALTER: Committee on the Judiciary. H. R. 12162. A bill to create an additional division of the United States District Court for the Southern District of Mississippi to be known as the Hattiesburg division; without amendment (Rept. No. 2483). Referred to the Committee of the Whole House on the state of the Union.

Mr. WEAVER: Committee on the Judiciary. H. R. 11926. A bill to provide for a term of court at Durham, N. C.; without amendment (Rept. No. 2484). Referred to the Committee of the Whole House on the state of the Union.

Mr. AYERS: Committee on Indian Affairs. S. 2849. An act to provide funds for cooperation with Wellpinit School District No. 49, Stevens County, Wash., for the construction of a public-school building to be available for Indian children of the Spokane Reservation; without amendment (Rept. No. 2485). Referred to the Committee of the Whole House on the state of the Union.

Mr. AYERS: Committee on Indian Affairs. S. 3372. An act to provide funds for cooperation with the public-school district at Hays, Mont., for construction and improvement of public-school building to be available for Indian children; without amendment (Rept. No. 2486). Referred to the Committee of the Whole House on the state of the Union.

Mr. DELANEY: Committee on Naval Affairs. H. R. 10129. A bill authorizing an appropriation for the development of a naval air base at Tongue Point, Oreg.; with amendment (Rept. No. 2488). Referred to the Committee of the Whole House on the state of the Union.

Mr. VINSON of Georgia: Committee on Naval Affairs. H. R. 11369. A bill to authorize the construction of certain auxiliary vessels for the Navy; with amendment (Rept. No. 2489). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Committee on Coinage, Weights, and Measures. H. R. 12397. A bill to authorize the coinage of 50-cent pieces in commemoration of the completion of the bridges in the San Francisco Bay area; without amendment (Rept. No. 2490). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. HILL of Alabama: Committee on Military Affairs. H. R. 190. A bill granting authority to the Secretary of War to license the use of a certain parcel of land situated in Fort Brady Military Reservation to Ira D. MacLachlan Post, No. 3, the American Legion, for 15 years; with amendment (Rept. No. 2487). Referred to the Committee of the Whole House.

Mr. DARDEN: Committee on Naval Affairs. S. 158. An act authorizing the President to present a medal in the name of Congress to Johannes F. Jensen; without amendment (Rept. No. 2491). Referred to the Committee of the Whole House.

Mr. McFARLANE: Committee on Naval Affairs. S. 2517. An act to provide for the advancement on the retired list of the Navy of Walter M. Graesser, a lieutenant (junior grade), United States Navy, retired; without amendment (Rept. No. 2492). Referred to the Committee of the Whole House.

Mr. MAAS: Committee on Naval Affairs. S. 3581. An act for the relief of Henry Thornton Meriwether; without amendment (Rept. No. 2493). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 12383) granting an increase of pension to Virgil O. Adams, and the same was referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. EVANS: A bill (H. R. 12443) to authorize the coinage of 50-cent silver pieces in commemoration of the one hundred and fiftieth anniversary of the adoption of the Constitution of the United States; to the Committee on Coinage, Weights, and Measures.

By Mr. GREEVER: A bill (H. R. 12444) to amend section 5, as amended, of the act entitled "An act to provide for the admission of the State of Wyoming into the Union, and for other purposes", approved July 10, 1890; to the Committee on the Territories.

By Mr. MORAN: A bill (H. R. 12445) to provide for the establishment of a Coast Guard station on the coast of Maine, at or near Isle au Haut, Knox County; to the Committee on Merchant Marine and Fisheries.

By Mr. DOXEY: A bill (H. R. 12446) to promote sustained yield forest management, in order thereby (a) to stabilize communities, forest industries, employment, and taxable forest wealth; (b) to assure a continuous and ample supply of forest products; and (c) to secure the benefits of forests in regulation of water supply and stream flow, prevention of soil erosion, amelioration of climate, and preservation of wildlife; to the Committee on Agriculture.

By Mr. GOLDSBOROUGH: A bill (H. R. 12447) to amend certain provisions of the banking laws relating to the administrative powers of the Comptroller of the Currency, the conversion of State banks into national banks, the payment of dividends on common stock of national banks, and the election and duties of shareholders' agents, and for other purposes; to the Committee on Banking and Currency.

By Mr. DICKSTEIN: Resolution (H. Res. 492) to provide 1 legislative day for consideration of certain bills reported from the Committee on Immigration and Naturalization; to the Committee on Rules.

By Mr. McLEOD: Resolution (H. Res. 493) requesting the President of the United States to transmit to the House of Representatives the report submitted to the Administrator of the Works Progress Administration by Gen. Hugh S. Johnson upon completion of his term as New York City Administrator of the Works Progress Administration; to the Committee on Expenditures in the Executive Departments.

By Mr. GILCHRIST: Resolution (H. Res. 494) providing for the consideration of H. R. 10101; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHANDLER: A bill (H. R. 12448) for the relief of Burton P. Cordle; to the Committee on Claims.

By Mr. COOLEY: A bill (H. R. 12449) for the relief of Melvin Andrews; to the Committee on Claims.

By Mr. DARDEN: A bill (H. R. 12450) for the relief of Lt. David E. Carlson, United States Navy; to the Committee on Naval Affairs.

By Mr. DRIVER: A bill (H. R. 12451) for the relief of the dependents of W. R. Dyess; to the Committee on Claims.

By Mr. SAMUEL B. HILL: A bill (H. R. 12452) granting an increase of pension to Felix Shaser; to the Committee on Pensions.

By Mr. GREEVER: A bill (H. R. 12453) for the relief of Francesco Kovach, alias Frank Kovach, alias Joe Kalister; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

10768. By Mr. SISSON: Petition of residents of New York City and vicinity, urging passage of House bill 9216, the National Income and Credit Act; to the Committee on Banking and Currency.

10769. By the SPEAKER: Petition of the Daughters of the American Revolution; to the Committee on Appropriations.

SENATE

FRIDAY, APRIL 24, 1936

The Chaplain, Rev. ZeBarney T. Phillips, D. D., offered the following prayer:

Almighty God and Heavenly Father, whose creative spirit is the source of all our aspirations, the guardian of our destinies: We thank Thee for the glory of this, another day, and as we set our faces toward our work, deepen, we pray Thee, our sense of oneness with Thee, that we may rejoice alike in the richness of our corporate life and in the sternness of our personal responsibility.

Grant unto these, Thy servants, insight, that instrument by which high spirits call the future from its cradle and the past out of its grave, that this day may be fruitful in permanent achievement for the welfare of our country.

Do Thou release all those whom a heavy weight of years hath chained and bound and raise up those who fall upon the thorns of life, that Thy children everywhere may be renewed by joyous thoughts of immortality which sometimes sleep but cannot die, as they are folded within their own eternity.

And when the sun is set at eventide and we go to our long home to meet Thy face, grant that this may be our requiem: "Peace, peace! He is not dead, he doth not sleep. He hath but wakened from the dream of life."

We ask it in the name and for the sake of Him who is the resurrection and the life, Jesus Christ our Lord. Amen.

THE JOURNAL

The Chief Clerk proceeded to read the Journal of the proceedings of the calendar day Thursday, April 23, 1936, when, on request of Mr. ROBINSON, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Haltigan, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 713. An act granting jurisdiction to the Court of Claims to hear the case of David A. Wright;